

In the opinion of Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the 2017 Series D Intermediate Lien Bonds, the 2017 Series E Intermediate Lien Bonds and the 2017 Series F Intermediate Lien Bonds is excluded from gross income for federal income tax purposes under the Section 103 of the Internal Revenue Code of 1986 (the “1986 Code”) or Section 103 of the Internal Revenue Code of 1954, as amended (the “1954 Code”) and Title XIII of the Tax Reform Act of 1986 (the “1986 Act”), except that no opinion is expressed as to the status of interest on any 2017 Series D Intermediate Lien Bond or 2017 Series F Intermediate Lien Bond for any period that such 2017 Series D Intermediate Lien Bond or 2017 Series F Intermediate Lien Bond is held by a “substantial user” of the facilities financed or refinanced by the 2017 Series D Intermediate Lien Bonds or 2017 Series F Intermediate Lien Bonds or by a “related person” within the meaning of Section 147(a) of the 1986 Code (with respect to the 2017 Series D Intermediate Lien Bonds) or the meaning of Section 103(b)(13) of the 1954 Code (with respect to the 2017 Series F Intermediate Lien Bonds). Bond Counsel observes, however, that interest on the 2017 Series D Intermediate Lien Bonds is a specific preference item for purposes of the federal individual and corporate alternative minimum taxes. In the further opinion of Bond Counsel, interest on the 2017 Series E Intermediate Lien Bonds and 2017 Series F Intermediate Lien Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel is also of the opinion that interest on the 2017 Series D Intermediate Lien Bonds, the 2017 Series E Intermediate Lien Bonds and the 2017 Series F Intermediate Lien Bonds is exempt from State of California personal income taxes. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the 2017 Series D Intermediate Lien Bonds, the 2017 Series E Intermediate Lien Bonds and the 2017 Series F Intermediate Lien Bonds. See “TAX MATTERS” herein.

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Board, interest on the 2017 Series G Intermediate Lien Bonds is exempt from State of California personal income tax. Bond Counsel observes that interest on the 2017 Series G Intermediate Lien Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the 1986 Code or Section 103 of the 1954 Code and Title XIII of the 1986 Act. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the 2017 Series G Intermediate Lien Bonds. See “TAX MATTERS” herein.



\$253,950,000
PORT OF OAKLAND, CALIFORNIA
INTERMEDIATE LIEN REFUNDING REVENUE BONDS

\$95,875,000	\$88,985,000
2017 Series D (Private Activity/AMT)	2017 Series E (Governmental/Non-AMT)
\$30,735,000	\$38,355,000
2017 Series F (Private Activity/Non-AMT)	2017 Series G (Federally Taxable)

Dated: Date of Delivery

Due: As shown on inside cover

The Board of Port Commissioners of the City of Oakland (the “Board”) is issuing its Port of Oakland, California Intermediate Lien Refunding Revenue Bonds 2017 Series D (Private Activity/AMT) (the “2017 Series D Intermediate Lien Bonds”), its Port of Oakland, California Intermediate Lien Refunding Revenue Bonds 2017 Series E (Governmental/Non-AMT) (the “2017 Series E Intermediate Lien Bonds”), its Port of Oakland, California Intermediate Lien Refunding Revenue Bonds 2017 Series F (Private Activity/Non-AMT) (the “2017 Series F Intermediate Lien Bonds”), and its Port of Oakland, California Intermediate Lien Refunding Revenue Bonds 2017 Series G (Federally Taxable) (the “2017 Series G Intermediate Lien Bonds” and, together with the 2017 Series D Intermediate Lien Bonds, the 2017 Series E Intermediate Lien Bonds and the 2017 Series F Intermediate Lien Bonds the “2017 Intermediate Lien Bonds”) for the following purposes: (i) to refund and defease the outstanding Refunded 2007 Intermediate Lien Bonds (as defined herein); and (ii) to pay costs of issuing the 2017 Intermediate Lien Bonds. See “REFUNDING PLAN” and “ESTIMATED SOURCES AND USES OF FUNDS.”

The 2017 Intermediate Lien Bonds will be dated their date of delivery, and will mature (subject to prior redemption) on the dates and in the principal amounts and will bear interest at the rates set forth on the inside cover pages. The 2017 Intermediate Lien Bonds will be issued as fully registered bonds in the name of Cede & Co., as nominee for The Depository Trust Company (“DTC”), New York, New York. Individual purchases and sales of the 2017 Intermediate Lien Bonds may be made in book-entry form only in denominations of \$5,000 and integral multiples thereof. Purchasers will not receive certificates representing their interest in the 2017 Intermediate Lien Bonds purchased. Interest on the 2017 Intermediate Lien Bonds will be payable on November 1, 2017 and semiannually on each May 1 and November 1 thereafter. The principal of and interest and premium, if any, on the 2017 Intermediate Lien Bonds will be payable to DTC, which in turn will be required to remit such amounts to the DTC Participants (as defined herein) for subsequent disbursement to the beneficial owners of the 2017 Intermediate Lien Bonds, as more fully described in APPENDIX C.

The 2017 Intermediate Lien Bonds are subject to optional redemption and mandatory sinking fund redemption as described herein under “DESCRIPTION OF THE 2017 INTERMEDIATE LIEN BONDS.”

The 2017 Intermediate Lien Bonds are limited obligations of the Board payable solely from and secured by a pledge of Intermediate Lien Pledged Revenues (as defined herein), certain funds and accounts specified in the Intermediate Lien Master Trust Indenture (defined herein) and earnings on each. The 2017 Intermediate Lien Bonds are being issued pursuant to an Intermediate Lien Master Trust Indenture, dated as of October 1, 2007 (as amended and supplemented from time to time, including by the Third Supplemental Intermediate Lien Trust Indenture defined below, the “Intermediate Lien Master Trust Indenture”), between the Board and U.S. Bank National Association, as trustee (the “Intermediate Lien Trustee”), and a Third Supplemental Intermediate Lien Trust Indenture, to be dated as of August 1, 2017 (the “Third Supplemental Intermediate Lien Trust Indenture”), between the Board and the Intermediate Lien Trustee. Upon defeasance of the Refunded 2007 Intermediate Lien Bonds, the 2017 Intermediate Lien Bonds will be the only Intermediate Lien Bonds outstanding. The 2017 Intermediate Lien Bonds will be secured by a pledge of and lien on Intermediate Lien Pledged Revenues, on a parity with the pledge securing any additional Intermediate Lien Bonds the Board issues in the future.

The pledge of and lien on the Intermediate Lien Pledged Revenues is subordinate to the pledge of and lien on Pledged Revenues (which includes Intermediate Lien Pledged Revenues) for Permitted Prior Lien Obligations (as defined herein), which include the Senior Lien Bonds and the DBW Loans (each, as defined herein). The 2017 Intermediate Lien Bonds are not a debt, liability or obligation of the City of Oakland, the State of California or any public agency thereof (other than the Board to the extent of the Intermediate Lien Pledged Revenues). The faith and credit, the taxing power and property of any of the aforementioned public entities (other than the Board to the extent of the Intermediate Lien Pledged Revenues) are NOT pledged to the payment of the principal of or interest or premium, if any, on the 2017 Intermediate Lien Bonds. The Board has no power of taxation.

Purchasers of the 2017 Intermediate Lien Bonds will be deemed to have consented to certain amendments to the Intermediate Lien Master Trust Indenture described under “—AMENDMENTS TO INTERMEDIATE LIEN MASTER TRUST INDENTURE.”

This cover page is not intended to be a summary of the terms of, or the security for, the 2017 Intermediate Lien Bonds. Investors are advised to read the Official Statement in its entirety to obtain information essential to the making of an informed investment decision.

The 2017 Intermediate Lien Bonds are offered when, as and if issued by the Board and accepted by the Underwriters, subject to the approval of legality by Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Board, and to certain other conditions. Certain legal matters will be passed upon for the Board by Danny Wan, Port Attorney. Certain legal matters will be passed upon for the underwriters by their counsel, Kutak Rock LLP. It is expected that the delivery of the 2017 Intermediate Lien Bonds will be through the facilities of DTC on or about August 3, 2017.

BofA Merrill Lynch

Siebert Cisneros Shank & Co., L.L.C

Backstrom McCarley Berry & Co., LLC

Blaylock Van, LLC

J.P. Morgan

MATURITY SCHEDULE
\$95,875,000
Port of Oakland, California
Intermediate Lien Refunding Revenue Bonds
2017 Series D (Private Activity/AMT)

Due November 1	Principal Amount	Interest Rate	Yield	Price	CUSIP ⁽¹⁾ (Base: 735000)
2019	\$ 350,000	5.000%	1.240%	108.295	RF0
2020	5,345,000	5.000	1.370	111.478	RG8
2021	5,025,000	5.000	1.500	114.338	RH6
2022	6,380,000	5.000	1.660	116.706	RJ2
2023	14,945,000	5.000	1.800	118.817	RK9
2024	15,720,000	5.000	1.960	120.434	RL7
2025	13,435,000	5.000	2.120	121.676	RM5
2026	6,285,000	5.000	2.290	122.459	RN3
2027	8,895,000	5.000	2.440	123.077	RP8
2028	9,675,000	5.000	2.560	121.861*	RQ6
2029	9,820,000	5.000	2.650	120.958*	RR4

\$88,985,000
Port of Oakland, California
Intermediate Lien Refunding Revenue Bonds
2017 Series E (Governmental/Non-AMT)

Due November 1	Principal Amount	Interest Rate	Yield	Price	CUSIP ⁽¹⁾ (Base: 735000)
2018	\$17,525,000	5.000%	0.980%	104.958	RS2
2019	4,100,000	3.000	1.130	104.131	RT0
2019	17,500,000	5.000	1.130	108.551	RU7
2020	11,380,000	5.000	1.180	112.122	RV5
2021	1,775,000	5.000	1.280	115.318	RW3
2022	2,335,000	5.000	1.440	117.918	RX1
2023	2,060,000	5.000	1.570	120.323	RY9
2024	2,160,000	5.000	1.720	122.248	RZ6
2025	2,485,000	5.000	1.890	123.636	SA0
2026	15,715,000	5.000	2.020	125.011	SB8
2027	3,740,000	5.000	2.190	125.657	SC6
2028	4,075,000	5.000	2.340	124.101*	SD4
2029	4,135,000	5.000	2.440	123.077*	SE2

* Priced to the call date of November 1, 2027.

⁽¹⁾ CUSIP information herein is provided by CUSIP Global Services, which is managed on behalf of the American Bankers Association by S&P Global Market Intelligence. CUSIP numbers are provided for convenience of reference only. None of the Board, the Port or the Underwriters assume any responsibility for the accuracy of such numbers.

\$30,735,000
Port of Oakland, California
Intermediate Lien Refunding Revenue Bonds
2017 Series F (Private Activity/Non-AMT)

Due November 1	Principal Amount	Interest Rate	Yield	Price	CUSIP ⁽¹⁾ (Base: 735000)
2018	\$17,380,000	5.000%	0.980%	104.958	SF9
2019	13,355,000	5.000	1.130	108.551	SG7

\$38,355,000
Port of Oakland, California
Intermediate Lien Refunding Revenue Bonds
2017 Series G (Federally Taxable)

Due November 1	Principal Amount	Interest Rate	Yield	Price	CUSIP ⁽¹⁾ (Base: 735000)
2018	\$ 790,000	1.650%	1.650%	100.000	SH5
2019	1,040,000	1.850	1.850	100.000	SJ1
2020	2,595,000	2.050	2.050	100.000	SK8
2021	2,450,000	2.350	2.350	100.000	SL6
2022	2,865,000	2.550	2.550	100.000	SM4
2023	5,640,000	2.720	2.720	100.000	SN2
2024	5,805,000	2.920	2.920	100.000	SP7
2025	4,970,000	3.050	3.050	100.000	SQ5
2026	2,550,000	3.150	3.150	100.000	SR3
2027	3,075,000	3.200	3.200	100.000	SS1
2028	3,290,000	3.250	3.250	100.000	ST9
2029	3,285,000	3.300	3.300	100.000	SU6

⁽¹⁾ CUSIP information herein is provided by CUSIP Global Services, which is managed on behalf of the American Bankers Association by S&P Global Market Intelligence. CUSIP numbers are provided for convenience of reference only. None of the Board, the Port or the Underwriters assume any responsibility for the accuracy of such numbers.

PORT OF OAKLAND

Board of Port Commissioners of the City of Oakland

Michael Colbruno
President

Cestra Butner
First Vice-President

Andreas Cluver
Commissioner

Arabella Martinez
Commissioner

Joan H. Story
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Earl S. Hamlin
Commissioner

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Bryant L. Francis
Director of Aviation

Sara Lee
Chief Financial Officer

John C. Driscoll
Director of Maritime

Danny Wan, Esq.
Port Attorney

Pamela Kershaw
Director of Commercial
Real Estate

Chris Chan
Director of Engineering

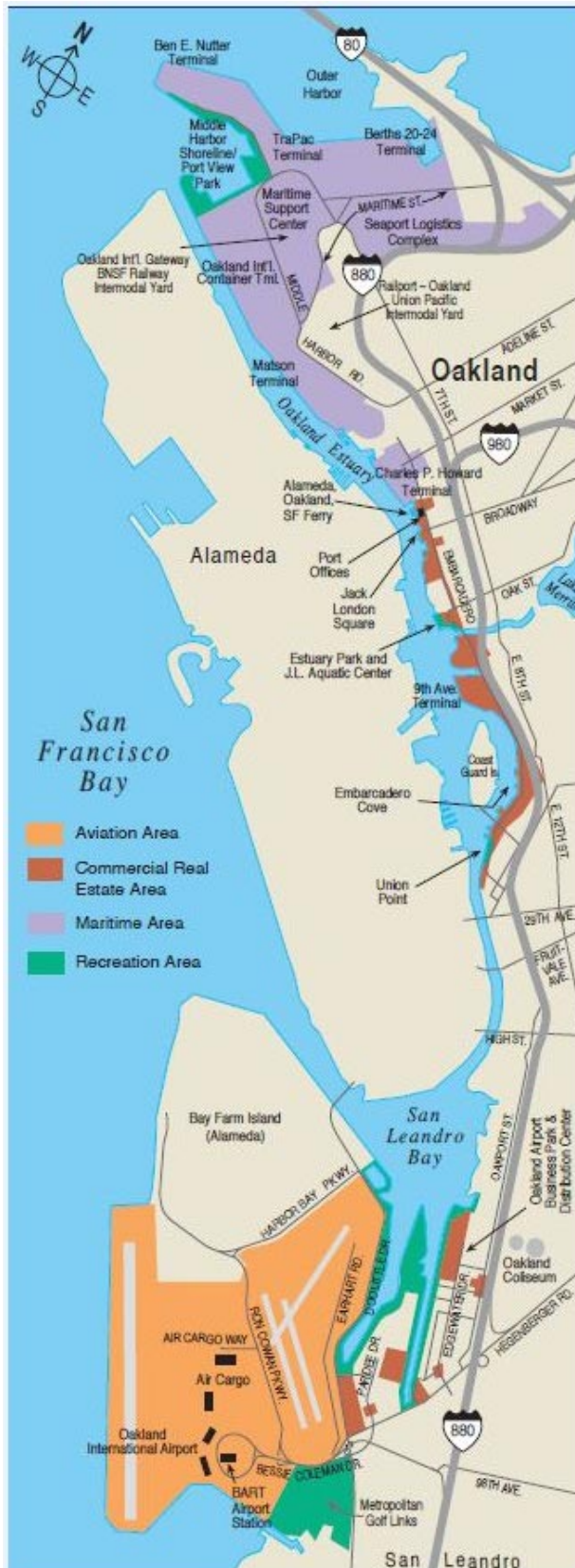
SPECIAL SERVICES

Verification Agent
Causey Demgen & Moore P.C.

Municipal Advisor
Montague DeRose and
Associates, LLC

Bond Counsel
Orrick, Herrington & Sutcliffe LLP

PORT OF OAKLAND



NO DEALER, BROKER, SALESPERSON OR ANY OTHER PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION, OTHER THAN THE INFORMATION AND REPRESENTATIONS CONTAINED IN THIS OFFICIAL STATEMENT (INCLUDING APPENDICES), IN CONNECTION WITH THE OFFERING OF THE 2017 INTERMEDIATE LIEN BONDS, AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE PORT OF OAKLAND, THE CITY OF OAKLAND OR THE UNDERWRITERS. THIS OFFICIAL STATEMENT DOES NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY ANY OF THE 2017 INTERMEDIATE LIEN BONDS IN ANY JURISDICTION IN WHICH IT IS UNLAWFUL TO MAKE SUCH OFFER, SOLICITATION OR SALE.

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

CERTAIN STATEMENTS CONTAINED IN THIS OFFICIAL STATEMENT REFLECT NOT HISTORICAL FACTS BUT FORECASTS, PROJECTIONS, ESTIMATES AND OTHER "FORWARD-LOOKING STATEMENTS." IN THIS RESPECT, THE WORDS "ESTIMATE," "PROJECT," "ANTICIPATE," "EXPECT," "INTEND," "BELIEVE," "FORECAST," "ASSUME" AND SIMILAR EXPRESSIONS ARE INTENDED TO IDENTIFY FORWARD-LOOKING STATEMENTS. SUCH FORECASTS, PROJECTIONS, ESTIMATES AND OTHER FORWARD-LOOKING STATEMENTS ARE NOT INTENDED AS REPRESENTATIONS OF FACT OR GUARANTEES OF RESULTS. ANY SUCH FORWARD-LOOKING STATEMENTS ARE SUBJECT TO A VARIETY OF RISKS AND UNCERTAINTIES THAT COULD CAUSE ACTUAL RESULTS OR PERFORMANCE TO DIFFER MATERIALLY FROM THOSE THAT HAVE BEEN FORECASTED, ESTIMATED OR PROJECTED. THESE FORWARD-LOOKING STATEMENTS SPEAK ONLY AS OF THE DATE OF THIS OFFICIAL STATEMENT. THE DELIVERY OF THIS OFFICIAL STATEMENT DOES NOT IMPOSE UPON THE BOARD ANY OBLIGATION OR UNDERTAKING TO RELEASE PUBLICLY ANY UPDATES OR REVISIONS TO ANY FORWARD-LOOKING STATEMENT CONTAINED HEREIN TO REFLECT ANY CHANGES IN THE BOARD'S EXPECTATIONS WITH REGARD THERETO OR ANY CHANGE IN EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH ANY SUCH STATEMENT IS BASED.

THE 2017 INTERMEDIATE LIEN BONDS HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON EXCEPTIONS CONTAINED THEREIN, AND THE INTERMEDIATE LIEN MASTER TRUST INDENTURE HAS NOT BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXCEPTIONS CONTAINED THEREIN.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2017 INTERMEDIATE LIEN BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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OFFICIAL STATEMENT

\$253,950,000
PORT OF OAKLAND, CALIFORNIA
INTERMEDIATE LIEN REFUNDING REVENUE BONDS

\$95,875,000 2017 Series D (Private Activity/AMT)	\$88,985,000 2017 Series E (Governmental/Non-AMT)
\$30,735,000 2017 Series F (Private Activity/Non-AMT)	\$38,355,000 2017 Series G (Federally Taxable)

INTRODUCTION

This introduction is subject in all respects to the more complete information and definitions contained elsewhere in this Official Statement. The offering of the 2017 Intermediate Lien Bonds to potential purchasers is made only by means of this entire Official Statement. Investors are instructed to review this entire Official Statement, as well as the documents summarized in the Appendices hereto, prior to making an investment decision. Capitalized terms used but not defined elsewhere in this Official Statement are defined in APPENDIX B-1 – “SUMMARIES OF THE INTERMEDIATE LIEN MASTER TRUST INDENTURE AND THE THIRD SUPPLEMENTAL INTERMEDIATE LIEN TRUST INDENTURE” and APPENDIX B-2 – “SUMMARY OF THE SENIOR LIEN MASTER TRUST INDENTURE.”

The purpose of this Official Statement, including the cover page, inside cover page and immediately succeeding pages, table of contents and appendices (this “Official Statement”), is to provide information concerning the sale and delivery by the Board of Port Commissioners of the City of Oakland (together with any successor to its function, the “Board”) of the Port of Oakland, California Intermediate Lien Refunding Revenue Bonds 2017 Series D (Private Activity/AMT) (the “2017 Series D Intermediate Lien Bonds”) in the aggregate principal amount of \$95,875,000, Port of Oakland, California Intermediate Lien Refunding Revenue Bonds 2017 Series E (Governmental/Non-AMT) (the “2017 Series E Intermediate Lien Bonds”) in the aggregate principal amount of \$88,985,000, Port of Oakland, California Intermediate Lien Refunding Revenue Bonds 2017 Series F (Private Activity/Non-AMT) (the “2017 Series F Intermediate Lien Bonds”) in the aggregate principal amount of \$30,735,000 and Port of Oakland, California Intermediate Lien Refunding Revenue Bonds 2017 Series G (Federally Taxable) (the “2017 Series G Intermediate Lien Bonds”) in the aggregate principal amount of \$38,355,000.

The 2017 Series D Intermediate Lien Bonds, the 2017 Series E Intermediate Lien Bonds, the 2017 Series F Intermediate Lien Bonds and the 2017 Series G Intermediate Lien Bonds are referred to collectively herein as the “2017 Intermediate Lien Bonds.”

The Port of Oakland. The Port of Oakland (the “Port”) is an independent department of the City of Oakland, California (the “City”). The Port manages three lines of business: Aviation, Maritime and Commercial Real Estate. The Board has exclusive control and management of all Port facilities and property, all income and revenue of the Port and proceeds of all Port bond sales. The Port Area (as defined in The Charter of the City of Oakland) extends approximately 19 miles from the border of the City of Emeryville (located immediately north of the San Francisco-Oakland Bay Bridge), south to the border of the City of San Leandro. Port facilities include the Oakland International Airport (the “Airport” or “OAK”); marine terminals, rail facilities for intermodal and bulk cargo handling, areas for truck staging, container storage and maritime support services (collectively, the “Seaport”); commercial, industrial, recreational and other land under lease or available for lease or sale; undeveloped land; and water area. Additional information about the Board and the Port is included under the headings “THE PORT OF OAKLAND,”

“PORT FINANCES” and “CAPITAL PLANNING AND CAPITAL PROJECTS.” In addition, the Port’s audited basic financial statements for the fiscal years 2015 and 2016 (which ended on June 30, 2015 and June 30, 2016, respectively) are included in APPENDIX A to this Official Statement. The Port’s fiscal year currently begins on July 1 of each given year and ends on June 30 of the subsequent year (each a “Fiscal Year”). Certain economic and demographic information can be found in APPENDIX F to this Official Statement.

For a discussion of certain risks associated with an investment in the 2017 Intermediate Lien Bonds, see “INVESTOR CONSIDERATIONS.”

The 2017 Intermediate Lien Bonds. The 2017 Intermediate Lien Bonds will be issued pursuant to an Intermediate Lien Master Trust Indenture, dated as of October 1, 2007 (as amended and supplemented from time to time, including by the Third Supplemental Intermediate Lien Trust Indenture defined below, the “Intermediate Lien Master Trust Indenture”), between the Board and U.S. Bank National Association, as trustee (the “Intermediate Lien Trustee”), and a Third Supplemental Intermediate Lien Trust Indenture, to be dated as of August 1, 2017 (the “Third Supplemental Intermediate Lien Trust Indenture”), between the Board and the Intermediate Lien Trustee. The 2017 Intermediate Lien Bonds have been authorized by a resolution adopted by the Board on June 8, 2017 (the “Resolution”) and are being issued under and in accordance with Article VII of the Charter of the City of Oakland (the “Charter”) and Ordinance No. 2858 adopted by the Board on February 21, 1989, setting forth certain procedures for the issuance and sale of debt instruments by the Port.

Proceeds from the sale of the 2017 Intermediate Lien Bonds will be applied to (i) refund and defease the Refunded 2007 Intermediate Lien Bonds, as more particularly described in “REFUNDING PLAN” below; and (ii) pay costs of issuing the 2017 Intermediate Lien Bonds. See also “ESTIMATED SOURCES AND USES OF FUNDS.”

The 2017 Intermediate Lien Bonds are Intermediate Lien Bonds under the Intermediate Lien Master Trust Indenture, and will be secured by a pledge and assignment of and a lien on and security interest in, and will be payable solely from, Intermediate Lien Pledged Revenues (as described below) and certain funds and accounts specified in the Intermediate Lien Master Trust Indenture and earnings on each. “Intermediate Lien Bond” generally means any debt obligation of the Board issued pursuant to the Intermediate Lien Master Trust Indenture. See APPENDIX B-1—“SUMMARIES OF THE INTERMEDIATE LIEN MASTER TRUST INDENTURE AND THE THIRD SUPPLEMENTAL INTERMEDIATE TRUST INDENTURE—DEFINITIONS” for the complete definition of Intermediate Lien Bond.

The Board may issue additional Intermediate Lien Bonds on a parity with the 2017 Intermediate Lien Bonds and other Intermediate Lien Bonds upon satisfaction of certain requirements set forth in the Intermediate Lien Master Trust Indenture. The Refunded 2007 Intermediate Lien Bonds are the only Intermediate Lien Bonds currently outstanding; and upon the issuance of the 2017 Intermediate Lien Bonds and the defeasance of the Refunded 2007 Intermediate Lien Bonds, the 2017 Intermediate Lien Bonds will be the only Intermediate Lien Bonds outstanding.

The pledge, lien and security interest securing the Intermediate Lien Bonds, including the 2017 Intermediate Lien Bonds, are junior and subordinate, first, to the pledge, lien and security interest created in favor of Senior Lien Bonds (including any reserve requirements applicable to the Senior Lien Bonds), and, second, to the pledge, lien and security interest created in favor of the Board’s repayment obligations under the DBW Loans. “Senior Lien Bonds” generally means any debt obligation of the Board issued pursuant to the Amended and Restated Master Trust Indenture, between the Board and U.S. Bank National Association, as trustee (the “Senior Trustee”), dated as of April 1, 2006, as amended and supplemented

from time to time (the “Senior Lien Master Trust Indenture”). “DBW Loans” generally means loan agreements between the Board and the California Department of Boating and Waterways. Both the Senior Lien Bonds and the DBW Loans are further described under “SECURITY AND SOURCES OF PAYMENT FOR THE 2017 INTERMEDIATE LIEN BONDS—Permitted Prior Lien Obligations.” See also APPENDIX B-1—“SUMMARIES OF THE INTERMEDIATE LIEN MASTER TRUST INDENTURE AND THE THIRD SUPPLEMENTAL INTERMEDIATE TRUST INDENTURE” and APPENDIX B-2—“SUMMARY OF THE SENIOR LIEN MASTER TRUST INDENTURE” for a more complete description of Senior Lien Bonds and DBW Loans. The Senior Lien Bonds and the DBW Loans are referred to collectively herein as the “Permitted Prior Lien Obligations.”

The Permitted Prior Lien Obligations are secured by a pledge of and lien on, and are payable solely from, Pledged Revenues. Intermediate Lien Pledged Revenues secure the Intermediate Lien Bonds, including the 2017 Intermediate Lien Bonds, and consist of Pledged Revenues remaining after payment on the Senior Lien Bonds, including the funding of any reserves securing the Senior Lien Bonds, and the payment of DBW Loans. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2017 INTERMEDIATE LIEN BONDS—Intermediate Lien Pledged Revenues” and APPENDIX B-1—“SUMMARIES OF THE INTERMEDIATE LIEN MASTER TRUST INDENTURE AND THE THIRD SUPPLEMENTAL INTERMEDIATE TRUST INDENTURE” for a more complete description of Intermediate Lien Pledged Revenues. As of May 1, 2017, Senior Lien Bonds were outstanding in the aggregate principal amount of \$655,960,000. As of May 1, 2017, the DBW Loans were outstanding in the aggregate principal amount of \$4,430,445. Upon the issuance of the 2017 Intermediate Lien Bonds and the defeasance of the Refunded 2007 Intermediate Lien Bonds, the 2017 Intermediate Lien Bonds will be the only Intermediate Lien Bonds outstanding.

The Board has covenanted in the Intermediate Lien Master Trust Indenture not to issue or incur any other obligations payable from or secured by a pledge of or lien on Intermediate Lien Pledged Revenues prior to that of the Intermediate Lien Bonds except for the Permitted Prior Lien Obligations. While the terms of the Intermediate Lien Master Trust Indenture do not restrict the Board’s ability to issue additional Senior Lien Bonds, the Senior Lien Master Trust Indenture sets forth financial and other requirements that must be satisfied in connection with the issuance of additional Senior Lien Bonds. The Intermediate Lien Master Trust Indenture requires that the Board satisfy certain debt service coverage requirements prior to incurring additional DBW Loans. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2017 INTERMEDIATE LIEN BONDS—Permitted Prior Lien Obligations.”

The 2017 Intermediate Lien Bonds will also be secured by the Intermediate Lien Common Reserve Fund (as defined herein). The Board will satisfy its obligation to fund the Intermediate Lien Common Reserve Fund Requirement, with an existing surety policy previously issued by MBIA Insurance Corporation, which is now administered by National Public Finance Guarantee Corporation (the “Debt Service Reserve Surety Policy”) to the Intermediate Lien Trustee in lieu of cash or securities. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2017 INTERMEDIATE LIEN BONDS—Intermediate Lien Common Reserve Fund.”

The 2017 Intermediate Lien Bonds are not a debt, liability or obligation of the City of Oakland, the State of California (the “State”) or any public agency thereof (other than the Board to the extent of the Intermediate Lien Pledged Revenues). The faith and credit, the taxing power and property of any of the aforementioned public entities (other than the Board to the extent of the Intermediate Lien Pledged Revenues) are NOT pledged to the payment of the principal of or interest or premium, if any, on the 2017 Intermediate Lien Bonds. The Board has no power of taxation.

Amendments to Intermediate Lien Master Trust Indenture. The Third Supplemental Intermediate Trust Indenture provides for certain amendments to the Intermediate Lien Master Trust Indenture as

described under “AMENDMENTS TO INTERMEDIATE LIEN MASTER TRUST INDENTURE.” Holders of the 2017 Intermediate Lien Bonds are deemed to have consented to such amendments, which will take effect upon the issuance of the 2017 Intermediate Lien Bonds and the defeasance of the Refunded 2007 Intermediate Lien Bonds.

Continuing Disclosure. The Board has covenanted for the benefit of the registered owners of the 2017 Intermediate Lien Bonds and the Beneficial Owners (as defined in APPENDIX E) of the 2017 Intermediate Lien Bonds to provide certain financial information and operating data with respect to the Port (the “Annual Report”) not later than 240 days following the end of each Fiscal Year, commencing with the report for the Fiscal Year ending June 30, 2017, and to provide notices of the occurrence of certain enumerated events. See “CONTINUING DISCLOSURE.”

Miscellaneous. General descriptions of the 2017 Intermediate Lien Bonds, the Port, the Intermediate Lien Master Trust Indenture, the Third Supplemental Intermediate Lien Trust Indenture, the Senior Lien Master Trust Indenture and certain other documents are included in this Official Statement. Such descriptions do not purport to be comprehensive or definitive. All references herein to such documents and any other documents, statutes, reports or other instruments described herein are qualified in their entirety by reference to each such document, statute, report or other instrument. The information herein is subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Port since the date hereof. This Official Statement is not to be construed as a contract or agreement between the Board and purchasers or owners of any of the 2017 Intermediate Lien Bonds.

REFUNDING PLAN

The proceeds of the 2017 Intermediate Lien Bonds will be used, together with certain additional funds provided by the Port, as described below, to effect the refunding and defeasance of all of the outstanding Intermediate Lien Bonds as follows:

- Port of Oakland Intermediate Lien Refunding Revenue Bonds 2007 Series A (AMT) (the “2007 Series A Intermediate Lien Bonds”), which are outstanding in the aggregate principal amount of \$153,065,000;
- Port of Oakland Intermediate Lien Refunding Revenue Bonds 2007 Series B (Non-AMT) (the “2007 Series B Intermediate Lien Bonds”), which are outstanding in the aggregate principal amount of \$119,860,000; and
- Port of Oakland Intermediate Lien Refunding Revenue Bonds 2007 Series C (Non-AMT) (the “2007 Series C Intermediate Lien Bonds”), which are outstanding in the aggregate principal amount of \$50,680,000.

The 2007 Series A Intermediate Lien Bonds, the 2007 Series B Intermediate Lien Bonds and the 2007 Series C Intermediate Lien Bonds are referred to collectively herein as the “Refunded 2007 Intermediate Lien Bonds.”

A portion of the proceeds of 2017 Intermediate Lien Bonds will be deposited in an escrow fund held by the Intermediate Lien Trustee pursuant to an escrow agreement, and used to pay principal when due and redeem the Refunded 2007 Intermediate Lien Bonds, on or about November 1, 2017 at a redemption price of 100% of their outstanding principal amount, plus accrued interest to the date fixed for redemption. Amounts in the escrow fund will be held by the Intermediate Lien Trustee as cash and/or invested in permitted investments as specified in the Intermediate Lien Master Trust Indenture.

Following the foregoing deposits and the satisfaction of conditions to be satisfied on the date of issuance of the 2017 Intermediate Lien Bonds, the Refunded 2007 Intermediate Lien Bonds will no longer be secured by or entitled to the benefits of the Intermediate Lien Master Trust Indenture, except for the purposes of payment from the amounts on deposit in the escrow fund. Causey Demgen & Moore P.C., (the “Verification Agent”) will provide a report in connection with the refunding of the Refunded 2007 Intermediate Lien Bonds, as described below under “—Verification.”

The Refunded 2007 Intermediate Lien Bonds are comprised of the Intermediate Lien Bonds included in the tables below, which constitute all of the currently Outstanding 2007 Series A Intermediate Lien Bonds, 2007 Series B Intermediate Lien Bonds, and 2007 Series C Intermediate Lien Bonds.

Port of Oakland Intermediate Lien Refunding Revenue Bonds 2007 Series A (AMT)

Due (November 1)	Principal Amount	Interest Rate	CUSIP ⁽¹⁾ (Base: 735000)
2017	\$ 245,000	4.125%	HR5
2017	2,185,000	5.000	HS3
2018	2,560,000	5.000	HT1
2019	2,240,000	5.000	HV6
2019	435,000	4.250	HU8
2020	8,930,000	5.000	HW4
2021	9,395,000	5.000	HX2
2022	9,875,000	5.000	HY0
2023	22,425,000	5.000	HZ7
2024	23,575,000	5.000	JA0
2025	20,935,000	5.000	JB8
2026	11,640,000	5.000	JC6
2027	12,235,000	5.000	JD4
2028	12,865,000	5.000	JE2
2029	<u>13,525,000</u>	5.000	JF9
Total	\$ <u>153,065,000</u>		

⁽¹⁾ CUSIP information herein is provided by CUSIP Global Services, which is managed on behalf of the American Bankers Association by S&P Global Market Intelligence. CUSIP numbers are provided for convenience of reference only. None of the Board, the Port or the Underwriters assume any responsibility for the accuracy of such numbers.

Port of Oakland Intermediate Lien Refunding Revenue Bonds 2007 Series B (Non-AMT)

Due (November 1)	Principal Amount	Interest Rate	CUSIP ⁽¹⁾ (Base: 735000)
2017	\$ 19,440,000	5.000%	JU6
2018	13,470,000	5.000 %	JW2
2018	7,460,000	4.000	JV4
2019	21,965,000	5.000	JX0
2020	11,740,000	5.000	JY8
2021	2,930,000	5.000	JZ5
2022	2,695,000	5.000	KA8
2022	385,000	4.250	KB6
2023	3,240,000	5.000	KC4
2024	3,400,000	5.000	KD2
2025	3,830,000	5.000	KE0
2026	17,085,000	5.000	KF7
2029	325,000	4.500	KG5
2029	<u>11,895,000</u>	5.000	KH3
Total	\$ <u>119,860,000</u>		

⁽¹⁾ CUSIP information herein is provided by CUSIP Global Services, which is managed on behalf of the American Bankers Association by S&P Global Market Intelligence. CUSIP numbers are provided for convenience of reference only. None of the Board, the Port or the Underwriters assume any responsibility for the accuracy of such numbers.

Port of Oakland Intermediate Lien Refunding Revenue Bonds 2007 Series C (Non-AMT)

Due (November 1)	Principal Amount	Interest Rate	CUSIP ⁽¹⁾ (Base: 735000)
2017	\$ 18,145,000	5.000%	KL4
2018	19,075,000	5.000	KM2
2019	<u>13,460,000</u>	5.000	KN0
Total	\$ <u>50,680,000</u>		

⁽¹⁾ CUSIP information herein is provided by CUSIP Global Services, which is managed on behalf of the American Bankers Association by S&P Global Market Intelligence. CUSIP numbers are provided for convenience of reference only. None of the Board, the Port or the Underwriters assume any responsibility for the accuracy of such numbers.

Verification

The Verification Agent is expected to deliver to the Port, on or before the date the 2017 Intermediate Lien Bonds are issued, its reports indicating that it has verified the mathematical accuracy of (i) the mathematical computations relating to the sufficiency of the cash, if any, and maturing principal of and interest on the defeasance obligations to pay, when due, the principal of and interest on the Refunded 2007 Intermediate Lien Bonds on their regularly scheduled payment dates through and including the redemption dates; and (ii) the mathematical computations of the yield on the 2017 Intermediate Lien Bonds and the yield on the defeasance obligations purchased with the 2017 Intermediate Lien Bonds. The Verification Agent will restrict its procedures to recalculating the computations provided to it and will not independently confirm the information used in the computations. Bond Counsel will rely upon the report of the Verification Agent in delivering its opinions in connection with the issuance of the 2017 Intermediate Lien Bonds and the defeasance of the Refunded 2007 Intermediate Lien Bonds. See “TAX MATTERS.”

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of the proceeds of the 2017 Intermediate Lien Bonds and other available funds of the Port are as follows:

	2007 Series D Intermediate Lien Bonds	2007 Series E Intermediate Lien Bonds	2007 Series F Intermediate Lien Bonds	2007 Series G Intermediate Lien Bonds	TOTAL
SOURCES OF FUNDS					
Par Amount	\$ 95,875,000.00	\$ 88,985,000.00	\$30,735,000.00	\$38,355,000.00	\$253,950,000.00
Original Issue Premium	19,002,829.60	12,917,414.25	2,003,686.45	-	33,923,930.30
Deposit of Port Cash	3,283,268.76	21,161,471.87	18,869,000.00	1,224,843.75	44,538,584.38
Total	\$118,161,098.36	\$123,063,886.12	\$51,607,686.45	\$39,579,843.75	\$332,412,514.68
USES OF FUNDS					
Escrow Fund Deposit	\$117,553,945.07	\$122,537,814.15	\$51,445,437.14	\$39,361,913.41	\$330,899,109.77
Costs of Issuance*	607,153.29	526,071.97	162,249.31	217,930.34	1,513,404.91
Total	\$118,161,098.36	\$123,063,886.12	\$51,607,686.45	\$39,579,843.75	\$332,412,514.68

* Includes legal fees, fees of the Intermediate Lien Trustee, Underwriters' discount, rating agencies fees, financial advisor fees, Verification Agent fees, bidding agent fees, printing cost and certain miscellaneous expenses.

DESCRIPTION OF THE 2017 INTERMEDIATE LIEN BONDS

General

The 2017 Intermediate Lien Bonds will be dated the date of delivery and will bear interest from that date at the rates set forth on the inside cover and immediately succeeding pages of this Official Statement. Interest on the 2017 Intermediate Lien Bonds will be payable on November 1, 2017 and semiannually on each May 1 and November 1 thereafter. The 2017 Intermediate Lien Bonds will be issued in denominations of \$5,000 and integral multiples thereof and will mature, subject to prior redemption, on the dates and in the principal amounts shown on the inside cover page and immediately succeeding pages of this Official Statement. Interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The 2017 Intermediate Lien Bonds will be issued in fully registered form and, when issued, will be registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the 2017 Intermediate Lien Bonds. Individual purchases may be made in book-entry form only. Purchasers will not receive certificates representing their interests in the 2017 Intermediate Lien Bonds purchased. So long as Cede & Co. is the registered owner of the 2017 Intermediate Lien Bonds, as nominee of DTC, references herein to the Bondholders or registered owners shall mean Cede & Co. and shall not mean the Beneficial Owners of the 2017 Intermediate Lien Bonds.

So long as Cede & Co. is the registered owner of the 2017 Intermediate Lien Bonds, principal of and interest and premium, if any, on the 2017 Intermediate Lien Bonds are payable by wire transfer by the Intermediate Lien Trustee, as Paying Agent, to Cede & Co., which is required, in turn, to remit such amounts to DTC's participants for subsequent disbursement to the Beneficial Owners. See APPENDIX C—"BOOK-ENTRY SYSTEM."

Redemption

Optional Redemption At Par (2017 Series D and E Intermediate Lien Bonds). The 2017 Series D Intermediate Lien Bonds and the 2017 Series E Intermediate Lien Bonds due on or after November 1, 2028 are subject to optional redemption prior to their respective maturities, in whole or in part, from any moneys that may be provided for such purpose, at any time on or after November 1, 2027 at a redemption price of 100% of the principal amount of such 2017 Series D Intermediate Lien Bonds and 2017 Series E Intermediate Lien Bonds, respectively, plus accrued interest to the date fixed for redemption.

2017 Series F Intermediate Lien Bonds Not Subject to Optional Redemption. The 2017 Series F Intermediate Lien Bonds are *not* subject to redemption prior to their respective maturities.

Optional Redemption at Make-Whole Redemption Price (2017 Series G Intermediate Lien Bonds). The 2017 Series G Intermediate Lien Bonds are subject to redemption prior to their respective maturities, as a whole or in part, on any Business Day, at the “Make-Whole Redemption Price,” plus accrued and unpaid interest on such 2017 Series G Intermediate Lien Bonds to be redeemed on the date fixed for redemption. The 2017 Series G Intermediate Lien Bonds are also referred to herein as the “Federally Taxable Intermediate Lien Bonds.”

The “Make-Whole Redemption Price” is the greater of (i) 100 percent of the principal amount of such Federally Taxable Intermediate Lien Bonds to be redeemed and (ii) the sum of the present value of the remaining scheduled payments of principal and interest on such Federally Taxable Intermediate Lien Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which such Federally Taxable Intermediate Lien Bonds are to be redeemed, discounted to the date on which such Federally Taxable Intermediate Lien Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the “Treasury Rate” defined below, plus twenty-five (25) basis points.

“Treasury Rate” means, with respect to any redemption date for a particular Federally Taxable Intermediate Lien Bond to be redeemed, the rate per annum, expressed as a percentage of the principal amount, equal to the semi-annual equivalent yield to maturity or interpolated maturity of the Comparable Treasury Issue, assuming that the Comparable Treasury Issue is purchased on the redemption date for a price equal to the Comparable Treasury Price, as calculated by the Designated Investment Banker.

“Comparable Treasury Issue” means, with respect to any redemption date for a particular Federally Taxable Intermediate Lien Bond to be redeemed, the United States Treasury security or securities selected by the Designated Investment Banker which has an actual or interpolated maturity comparable to the remaining average life of the Bond to be redeemed, and that would be utilized in accordance with customary financial practice in pricing new issues of debt securities of comparable maturity to the remaining average life of the Bond to be redeemed.

“Comparable Treasury Price” means, with respect to any redemption date for a particular Federally Taxable Intermediate Lien Bond to be redeemed, the average of four Reference Treasury Dealer Quotations for that redemption date, after excluding the highest and lowest of such Reference Treasury Dealer Quotations, or if the Designated Investment Banker obtains fewer than four Reference Treasury Dealer Quotations, the average of all quotations obtained by the Designated Investment Banker.

“Designated Investment Banker” means one of the Reference Treasury Dealers appointed by an Authorized Board Representative.

“Reference Treasury Dealer” means each of four firms, specified by an Authorized Board Representative from time to time, that are primary United States Government securities dealers in the City of New York (each, a “Primary Treasury Dealer”); provided, that if any of them ceases to be a Primary Treasury Dealer, the Authorized Board Representative is to substitute another Primary Treasury Dealer.

“Reference Treasury Dealer Quotations” means, with respect to each Reference Treasury Dealer and any redemption date for a Bond, the average, as determined by the Designated Investment Banker, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Designated Investment Banker by such Reference Treasury Dealer at 3:30 p.m., New York City time, on the Valuation Date.

“Valuation Date” means at least three (3) Business Days but not more than twenty (20) calendar days prior to the mailing of redemption notice.

In connection with an optional redemption of any 2017 Series G Intermediate Lien Bonds prior to their respective stated maturity dates, as a whole or in part, on any Business Day, at the Make Whole Redemption Price, an Authorized Board Representative would appoint a Designated Investment Banker and specify four Reference Treasury Dealers to take any further actions as provided herein.

If the 2017 Series G Intermediate Lien Bonds are not registered in book-entry only form, the 2017 Series G Intermediate Lien Bonds will be assigned certificate numbers. Any redemptions of less than all of a maturity of the 2017 Series G Intermediate Lien Bonds shall be effected by the Intermediate Lien Trustee by designating such 2017 Series G Intermediate Lien Bonds for optional redemption within a maturity in the order of the assigned certificate numbers.

If the 2017 Series G Intermediate Lien Bonds are registered in book-entry only form and so long as DTC or a successor securities depository is the sole registered owner of the 2017 Series G Intermediate Lien Bonds, if less than all of a maturity of 2017 Series G Intermediate Lien Bonds are to be redeemed prior to maturity, the particular 2017 Series G Intermediate Lien Bonds or portions thereof to be redeemed shall be selected on a “Pro Rata Pass-Through Distribution of Principal” basis in accordance with DTC procedures, provided that, so long as the 2017 Series G Intermediate Lien Bonds are held in book-entry form, the selection for redemption of such 2017 Series G Intermediate Lien Bonds shall be made in accordance with the operational arrangements of DTC then in effect that currently provide for adjustment of the principal by a factor provided by the Intermediate Lien Trustee pursuant to DTC operational arrangements. If the Intermediate Lien Trustee does not provide the necessary information and identify the redemption as on a Pro Rata Pass-Through Distribution of Principal basis, the 2017 Series G Intermediate Lien Bonds will be selected for redemption in accordance with DTC procedures by lot within a maturity.

Notice of Redemption; Cessation of Interest. The Third Supplemental Intermediate Trust Indenture requires that the Intermediate Lien Trustee mail a notice of redemption by first-class mail to each owner of a 2017 Intermediate Lien Bond to be redeemed at the owner’s registered address at least 30 days but not more than 60 days before the date fixed for such redemption; provided that, with respect to 2017 Intermediate Lien Bonds held by DTC, such notice is to be sent to DTC by express delivery service for delivery on the next following Business Day, or by any other method approved by DTC. The redemption notice shall state that the proposed redemption is conditioned on there being on deposit in the applicable account, on the date fixed for redemption, sufficient money to pay the full redemption price of, plus accrued but unpaid interest to the date fixed for redemption on, the 2017 Intermediate Lien Bonds to be redeemed. Failure to give any required notice of redemption as to any particular 2017 Intermediate Lien Bonds will not affect the validity of the call for redemption of any 2017 Intermediate Lien Bonds in respect of which no such failure occurs. Any notice sent as provided in the Third Supplemental Intermediate Lien Trust

Indenture will be conclusively presumed to have been given whether or not actually received by the addressee.

When notice of redemption is given, the 2017 Intermediate Lien Bonds called for redemption become due and payable on the redemption date at the applicable redemption price, provided that sufficient money to pay the full redemption price of the 2017 Intermediate Lien Bonds to be redeemed is on deposit in the applicable account on the date fixed for redemption. In the event that funds are deposited with the Intermediate Lien Trustee sufficient for redemption, interest on the 2017 Intermediate Lien Bonds to be redeemed will cease to accrue as of the date fixed for redemption. Such 2017 Intermediate Lien Bonds will cease to be entitled to any lien, benefit or security under the Intermediate Lien Master Trust Indenture and owners of such 2017 Intermediate Lien Bonds will have no rights in respect thereof except to receive payment of the redemption price plus accrued and unpaid interest to the date fixed for redemption.

SECURITY AND SOURCES OF PAYMENT FOR THE 2017 INTERMEDIATE LIEN BONDS

General

All Intermediate Lien Bonds, including the 2017 Intermediate Lien Bonds, are limited obligations of the Board payable solely from, and secured by a pledge and assignment of and a lien on and security interest in, Intermediate Lien Pledged Revenues, moneys and securities held from time to time by the Intermediate Lien Trustee in the funds and accounts under the Intermediate Lien Master Trust Indenture (other than amounts in a Rebate Fund or any other funds and accounts established under supplemental indentures for particular series of Intermediate Lien Bonds), and earnings on Intermediate Lien Pledged Revenues and on such moneys and securities. The 2017 Intermediate Lien Bonds are also secured by amounts held in certain funds and accounts established under, and, with respect to the Intermediate Lien Common Reserve Fund, provided for by, the Third Supplemental Intermediate Lien Trust Indenture, and earnings on such funds and accounts, as further described herein. See “—Intermediate Lien Common Reserve Fund” below for a more detailed discussion of the Intermediate Lien Common Reserve Fund.

Intermediate Lien Pledged Revenues

“Intermediate Lien Pledged Revenues” are Pledged Revenues remaining after payment of (i) first, all amounts required to be paid and then due and payable under the Senior Lien Master Trust Indenture for any Senior Lien Obligation (as defined in the Senior Lien Master Trust Indenture) and (ii) second, any payment obligations then due and payable on the DBW Loans, to the extent such funds are available under their terms and the applicable law for purposes consistent with the payment of debt service on the Intermediate Lien Bonds.

“Pledged Revenues” is defined in the Senior Lien Master Trust Indenture and Intermediate Lien Master Trust Indenture as all income, receipts, earnings and revenues received by, held by, accrued to or entitled to be received by the Board or any successors thereto from the operation and/or ownership of the Port or any of the Port Facilities (as defined in the Senior Lien Master Trust Indenture) or activities and undertakings related thereto or from any other facilities wherever located with respect to which the Board receives payments and from the investment of amounts held in the Port Revenue Fund, including, but not limited to, (i) rates, tolls, fees, rentals, charges and other payments made to or owed to the Board for the use or availability of property or facilities, (ii) amounts received or owed from the sale or provision of supplies, materials, goods and services provided by or made available by the Board, (iii) Net Proceeds and rental or business interruption insurance proceeds, and (iv) amounts held in the Port Revenue Fund. Pledged Revenues also include such additional revenues, if any, as are designated as Pledged Revenues under the terms of any supplemental indenture to the Senior Lien Master Trust Indenture. The following

are specifically excluded under the Senior Lien Master Trust Indenture and the Intermediate Lien Master Trust Indenture from the definition of Pledged Revenues: (i) any amounts received by the Board from the imposition of ad valorem taxes, (ii) gifts, grants, Passenger Facility Charges (“PFCs”) and Customer Facility Charges that are restricted by their terms to purposes inconsistent with the payment of debt service on the Senior Lien Bonds, (iii) insurance proceeds to the extent the use of such proceeds is restricted by the terms of the policy under which they are paid to a use inconsistent with the payment of debt service on the Senior Lien Bonds and (iv) Special Facilities Revenue (as defined under “—Special Obligations; Other Financial Obligations”).

All Senior Lien Bonds are payable solely from, and secured by a pledge and assignment of and a lien on and security interest in, Pledged Revenues. See APPENDIX B-1—“SUMMARIES OF THE INTERMEDIATE LIEN MASTER TRUST INDENTURE AND THE THIRD SUPPLEMENTAL INTERMEDIATE LIEN TRUST INDENTURE—THE INTERMEDIATE LIEN MASTER TRUST INDENTURE—Grant to Secure the Intermediate Lien Bonds; Pledge of Intermediate Lien Pledged Revenues” for a more complete description of the pledge, lien on and security interest in the Intermediate Lien Pledged Revenues securing the Intermediate Lien Bonds. See also APPENDIX B-2—“SUMMARY OF THE SENIOR LIEN MASTER TRUST INDENTURE—Grant to Secure the Senior Lien Bonds; Pledge of Pledged Revenues” for a more complete description of the pledge, lien on, and security interest in, the Pledged Revenues.

THE 2017 INTERMEDIATE LIEN BONDS ARE NOT A DEBT, LIABILITY OR OBLIGATION OF THE CITY OF OAKLAND, THE STATE OF CALIFORNIA OR ANY PUBLIC AGENCY THEREOF (OTHER THAN THE BOARD TO THE EXTENT OF THE INTERMEDIATE LIEN PLEDGED REVENUES). THE FAITH AND CREDIT, THE TAXING POWER AND PROPERTY OF ANY OF THE AFOREMENTIONED PUBLIC ENTITIES (OTHER THAN THE BOARD TO THE EXTENT OF THE INTERMEDIATE LIEN PLEDGED REVENUES) ARE NOT PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST OR PREMIUM, IF ANY, ON THE 2017 INTERMEDIATE LIEN BONDS. THE 2017 INTERMEDIATE LIEN BONDS ARE LIMITED OBLIGATIONS OF THE BOARD PAYABLE SOLELY FROM AND SECURED BY INTERMEDIATE LIEN PLEDGED REVENUES AND THE AMOUNTS HELD IN, AND EARNINGS ON EACH OF THE, CERTAIN FUNDS AND ACCOUNTS SPECIFIED IN THE INTERMEDIATE LIEN MASTER TRUST INDENTURE. THE BOARD HAS NO POWER OF TAXATION.

Intermediate Lien Common Reserve Fund

The Third Supplemental Intermediate Lien Trust Indenture provides that the 2017 Intermediate Lien Bonds shall be secured, on a parity basis with all other Intermediate Lien Common Reserve Fund Bonds (as defined below), by the common debt service reserve fund (the “Intermediate Lien Common Reserve Fund”) created under the First Supplemental Intermediate Lien Trust Indenture (the “First Supplemental Trust Indenture”), dated as of October 1, 2007, between the Board and the Intermediate Lien Trustee. The provisions of the First Supplemental Trust Indenture relating to the Intermediate Lien Common Reserve Fund are incorporated into the Third Supplemental Intermediate Lien Trust Indenture.

The Intermediate Lien Common Reserve Fund is held by the Intermediate Lien Trustee for the benefit of any series of Intermediate Lien Bonds that the Board elects to be secured by the Intermediate Lien Common Reserve Fund pursuant to the applicable Supplemental Intermediate Lien Indenture (the “Intermediate Lien Common Reserve Fund Bonds”). The Refunded 2007 Intermediate Lien Bonds are currently the only Intermediate Lien Common Reserve Fund Bonds. Upon the issuance of the 2017 Intermediate Lien Bonds and the defeasance of the Refunded 2007 Intermediate Lien Bonds, the Intermediate Lien Common Reserve Fund will secure only the 2017 Intermediate Lien Bonds. Other Intermediate Lien Bonds will not have any claim on amounts held in the Intermediate Lien Common

Reserve Fund unless the Board elects such Intermediate Lien Bonds to be Intermediate Lien Common Reserve Fund Bonds. The 2017 Intermediate Lien Bonds will not have any claim on amounts held in any other debt service reserve funds for other Intermediate Lien Bonds issued in the future that are not designated as Intermediate Lien Common Reserve Fund Bonds. The Intermediate Lien Common Reserve Fund will secure the Intermediate Lien Common Reserve Fund Bonds without preference, priority or distinction as to any Intermediate Lien Common Reserve Fund Bond over any other Intermediate Lien Common Reserve Fund Bond, except as to the timing of payment of the Intermediate Lien Common Reserve Fund Bonds.

The Intermediate Lien Common Reserve Fund must at all times be funded in an amount equal to the Intermediate Lien Common Reserve Fund Requirement, which equals the least of (a) the Average Annual Debt Service (as defined herein) for all Intermediate Lien Common Reserve Fund Bonds then Outstanding, (b) Maximum Aggregate Annual Debt Service (as defined herein) for all Intermediate Lien Common Reserve Fund Bonds then Outstanding, or (c) 10% of the proceeds at their respective original issuance of all Intermediate Lien Common Reserve Fund Bonds of each Series then Outstanding. Upon issuance of the 2017 Intermediate Lien Bonds, the Intermediate Lien Common Reserve Fund Requirement will be \$25,090,786.11.

The Intermediate Lien Common Reserve Fund Requirement is subject to adjustment upon any principal payment (scheduled or unscheduled), redemption or defeasance of any Intermediate Lien Common Reserve Fund Bonds, including the 2017 Intermediate Lien Bonds, provided that the adjusted Intermediate Lien Common Reserve Fund Requirement cannot exceed the Intermediate Lien Common Reserve Fund Requirement immediately preceding such principal payment (scheduled or unscheduled), redemption or defeasance. The Intermediate Lien Common Reserve Fund Requirement is further subject to adjustment upon issuance of any additional Intermediate Lien Common Reserve Fund Bonds in the future. However, if the then applicable Intermediate Lien Common Reserve Fund Requirement would require moneys to be credited to the Intermediate Lien Common Reserve Fund in excess of the maximum amount permitted under the Code (as defined herein) to be then funded from the proceeds of tax-exempt bonds, the Intermediate Lien Common Reserve Fund Requirement will be an amount equal to the sum of the Intermediate Lien Common Reserve Fund Requirement immediately preceding the issuance of the new Intermediate Lien Common Reserve Fund Bonds and the maximum amount permitted under the Code to be then funded from the proceeds of such Intermediate Lien Common Reserve Fund Bonds.

Moneys or instruments held in the Intermediate Lien Common Reserve Fund are intended to be used to pay principal of and interest on the Intermediate Lien Common Reserve Fund Bonds (including the 2017 Intermediate Lien Bonds) in the event that other available moneys are insufficient. The Intermediate Lien Common Reserve Fund may be drawn upon if the amount in the debt service fund for any Intermediate Lien Common Reserve Fund Bonds (including the 2017 Intermediate Lien Bonds) is insufficient to pay in full any principal or interest then due on such Intermediate Lien Common Reserve Fund Bonds (including the 2017 Intermediate Lien Bonds). Moneys held in the Intermediate Lien Common Reserve Fund may also be used to make any deposit required to be made to the rebate funds created for the Intermediate Lien Common Reserve Fund Bonds (including the 2017 Intermediate Lien Bonds) if the Board does not have other funds available from which such deposit can be made.

The Board may, in lieu of a deposit of cash or securities, obtain one or more Reserve Fund Insurance Policies. A Reserve Fund Insurance Policy may be an insurance policy, letter of credit, qualified surety bond or other financial instrument. Each Reserve Fund Insurance Policy shall equally secure all Intermediate Lien Common Reserve Fund Bonds on a pro rata basis until the termination of such policy. Any such Reserve Fund Insurance Policy must, at the time of its issuance, either extend to the final maturity of the 2017 Intermediate Lien Bonds and any other Intermediate Lien Common Reserve Fund Bonds then secured by the Intermediate Lien Common Reserve Fund or the Board must agree to replace such Reserve

Fund Insurance Policy prior to its expiration with cash or one or more new Reserve Fund Insurance Policy or Policies.

Upon expiration or termination of any Reserve Fund Insurance Policy prior to the payment in full or deemed payment in full of all Intermediate Lien Common Reserve Fund Bonds, the Board is required to either provide one or more substitute Reserve Fund Insurance Policies that extend to the final maturity of the Intermediate Lien Common Reserve Fund Bonds or provide cash if the value of the Intermediate Lien Common Reserve Fund is less than the Intermediate Lien Common Reserve Fund Requirement following such expiration or termination, in an amount sufficient to increase the value of the Intermediate Lien Common Reserve Fund to the Intermediate Lien Common Reserve Fund Requirement following such expiration or termination. No assurance can be given that the Port will be able to obtain a replacement Reserve Fund Insurance Policy or provide such cash at the time of such termination or expiration.

When all of the Intermediate Lien Common Reserve Fund Bonds (including the 2017 Intermediate Lien Bonds) are paid in full or are deemed to be paid in full in accordance with the Intermediate Lien Master Trust Indenture, moneys in the Intermediate Lien Common Reserve Fund may be used to pay the final installments of principal of and interest on the Intermediate Lien Common Reserve Fund Bonds (including the 2017 Intermediate Lien Bonds), and otherwise may be withdrawn and transferred to the Board to be used for any lawful purpose, but only upon receipt by the Intermediate Lien Trustee of an opinion of tax counsel to the effect that the purpose for which such funds are to be used is lawful and will not adversely affect the exclusion of interest on any Intermediate Lien Common Reserve Fund Bonds (including the 2017 Intermediate Lien Bonds) from gross income of the recipients thereof for federal income tax purposes.

The Debt Service Reserve Surety Policy issued by MBIA Insurance Corporation, which is now administered by National Public Finance Guarantee Corporation as the Surety Provider, for deposit in the Intermediate Lien Common Reserve Fund will remain in full force and effect after the refunding and defeasance of the Refunded 2007 Intermediate Lien Bonds and will be applied towards the 2017 Intermediate Lien Bonds to satisfy the Intermediate Lien Common Reserve Fund Requirement. See APPENDIX B-3—“DEBT SERVICE RESERVE SURETY POLICY FOR INTERMEDIATE LIEN COMMON RESERVE FUND” for a description of the Debt Service Reserve Surety Policy and its provider.

Rate Covenant

The Board has covenanted in the Intermediate Lien Master Trust Indenture, so long as any Intermediate Lien Bond is outstanding, to establish, fix, prescribe and collect rates, tolls, fees, rentals and charges in connection with the Port and for services rendered in connection with the Port so that in each Fiscal Year:

- (i) Net Revenues will be equal to at least 1.10 times the actual debt service becoming due on outstanding Intermediate Lien Bonds and all Permitted Prior Lien Obligations in such year, less (A) amounts paid from the proceeds of other borrowings, (B) debt service paid in such year from Capitalized Interest, and (C) the amount of any security pledged to particular Intermediate Lien Bonds or Permitted Prior Lien Obligations that will be available for debt service payment in addition to the Intermediate Lien Pledged Revenues or to the Pledged Revenues (as applicable) for such year in accordance with the relevant Supplemental Intermediate Lien Indenture or the relevant Supplemental Senior Lien Indenture (as applicable) and
- (ii) Pledged Revenues will be at least sufficient to pay (W) principal of and interest on the Intermediate Lien Bonds and all Permitted Prior Lien Obligations due in such year, reduced by the amount of any security pledged for such debt service payment in addition to the Intermediate Lien Pledged Revenues or Pledged Revenues (as applicable) during the year as set forth in the

relevant Supplemental Intermediate Lien Indenture or Supplemental Senior Lien Indenture (as applicable), (X) all other payments required under the Intermediate Lien Master Trust Indenture, as amended and supplemented (including deposits to any reserve fund, including the Intermediate Lien Common Reserve Fund), (Y) all other payments necessary to meet ongoing legal obligations of the Port payable from Pledged Revenues at that time and (Z) all current Operation and Maintenance Expenses (as defined in the Intermediate Lien Master Trust Indenture).

A breach of these covenants by the Board, however, will not constitute an Event of Default under the Intermediate Lien Master Trust Indenture if the Board takes certain remedial actions prescribed in the Intermediate Lien Master Trust Indenture within 360 days of discovering such breach. See APPENDIX B-1—“SUMMARIES OF THE INTERMEDIATE LIEN MASTER TRUST INDENTURE AND THE THIRD SUPPLEMENTAL INTERMEDIATE LIEN TRUST INDENTURE—THE INTERMEDIATE LIEN MASTER TRUST INDENTURE—Rate Covenant.”

Under the provisions described above in clause (i)(C) under the caption “Rate Covenant,” the Port may apply pledged amounts not included in Intermediate Lien Pledged Revenues and Pledged Revenues to offset debt service for purposes of the rate covenant.

“Net Revenues” means, for any given period, the Revenues for such period less the Operation and Maintenance Expenses for such period. “Revenues” means the operating revenues and interest income of the Board, for any given period, as determined in accordance with generally accepted accounting principles, as modified from time to time, but excluding (i) Special Facilities Revenue (as defined in Appendix B) and (ii) any amounts paid to the Board pursuant to a Qualified Swap (as defined in Appendix B). “Operation and Maintenance Expenses” means, for any given period, the total operation and maintenance expenses of the Board as determined in accordance with generally accepted accounting principles as modified from time to time, excluding any operation and maintenance expenses payable from moneys other than Pledged Revenues. See “—Special Obligations; Other Financial Obligations” for a discussion of Special Facilities Revenue.

The Port’s ability to increase Revenues in the near term is limited by the competitive nature of the Port’s businesses, the nature of the various agreements and arrangements the Port has with various tenants and customers, and federal statutes governing the use of airport revenues and the establishment of the rates and charges charged to airlines as described below under the heading “THE PORT OF OAKLAND—Aviation—Airline Agreements and Rate Setting” (the “Airline Rates and Charges”). See “THE PORT OF OAKLAND” and “PORT FINANCES.” For a summary of the Port’s historical and projected debt service coverage, see “PORT FINANCES—Debt Service Coverage.”

Flow of Funds Under the City Charter

The application of the Port’s revenues is governed by certain provisions of the Charter. Under Section 717(3) of the Charter, all income and revenue from the operation of the Port or from Port Facilities, of whatever kind or nature, and all net income from leases or any other source of income or revenue, is to be deposited in a special fund in the City Treasury designated as the “Port Revenue Fund.” Under Section 717(3), all moneys in the Port Revenue Fund must be applied in the following order and priority:

First, to pay principal of and interest on, as the same become due and payable, any or all general obligation bonds of the City issued for Port purposes, but only to the extent required by the Constitution of the State or otherwise as determined by resolution of the Board (no general obligation bonds are outstanding);

Second, to pay the principal of and interest on revenue bonds, or other evidence of indebtedness payable solely from revenues in accordance with the Charter, which are due or become due during the Fiscal Year in which the revenues are received or are to be received, together with reserve fund payments, sinking fund payments or similar charges in connection with such revenue bonds due or to become due in such Fiscal Year, including all payments required to be made pursuant to the terms of any resolution authorizing the issuance of revenue bonds, or required by the terms of the contract created by or upon the issuance of revenue bonds;

Third, to pay all costs of maintenance and operation of the facilities from or on account of which such money was received, together with general costs of administration and overhead allocable to such facilities;

Fourth, to defray the expenses of any pension or retirement system applicable to the employees of the Board;

Fifth, for necessary additions, betterments, improvements, repairs or enlargements of any facilities, and, to the extent determined by a resolution or resolutions of the Board, for replacement, renewals or reconstruction of any facilities;

Sixth, to establish and maintain reserve or other funds to insure the payment on or before maturity of any or all general obligation bonds of the City issued for any facility under the control of the Board, but only to the extent required by the Constitution of the State or otherwise as determined by resolution of the Board;

Seventh, to establish and maintain reserve or other funds to insure the payment on or before maturity of any or all revenue bonds of the Board;

Eighth, to establish and maintain such other reserve funds pertaining to the facilities of the Board as determined by a resolution or resolutions of the Board; and

Ninth, for transfer to the General Fund of the City, to the extent that the Board determines that surplus moneys exist in such fund which are not then needed for any of the above purposes.

The payment of the Permitted Prior Lien Obligations, the Intermediate Lien Bonds (including the 2017 Intermediate Lien Bonds), and commercial paper notes (“CP Notes”) falls within the second category listed above, in descending order of priority with respect to payment from Pledged Revenues, pursuant to their respective trust indentures.

There are currently no outstanding general obligation bonds of the City issued for Port purposes and the Board has covenanted in the Senior Lien Master Trust Indenture that it will not adopt a resolution permitting the use of Pledged Revenues to pay debt service on the City’s general obligation bonds and will not issue obligations payable from or secured by a pledge of or lien on Pledged Revenues senior to that of the Senior Lien Bonds. The Board has also covenanted in the Intermediate Lien Master Trust Indenture not to issue or incur any obligations payable from or secured by a pledge of or lien on Intermediate Lien Pledged Revenues prior to that of the Intermediate Lien Bonds except for the Senior Lien Bonds and the DBW Loans. See APPENDIX B-1—“SUMMARIES OF THE INTERMEDIATE LIEN MASTER TRUST INDENTURE AND THE THIRD SUPPLEMENTAL INTERMEDIATE LIEN TRUST INDENTURE—THE INTERMEDIATE LIEN MASTER TRUST INDENTURE—Grant to Secure the Intermediate Lien Bonds; Pledge of Intermediate Lien Pledged Revenues” and APPENDIX B-2—“SUMMARY OF THE SENIOR LIEN MASTER TRUST INDENTURE—Senior Lien Obligations Prohibited.”

The Charter may be amended by a majority vote of the City's electorate, however, the ability of the electorate to impair the security of the 2017 Intermediate Lien Bonds through such an amendment would be limited by existing State and federal law, including protections against impairment of contracts.

Permitted Prior Lien Obligations

Under the terms of the Intermediate Lien Master Trust Indenture, the Board must satisfy certain debt service coverage requirements on an ongoing basis including debt service coverage requirements with respect to Senior Lien Bonds, DBW Loans and Intermediate Lien Bonds. However, the Intermediate Lien Master Trust Indenture does not require the Board to meet any particular debt service coverage or other requirement at the time of issuing additional Senior Lien Bonds. The terms of the Intermediate Lien Master Trust Indenture require the Board to satisfy certain debt service coverage and other requirements at the time of incurring additional DBW Loans. APPENDIX B-1—"SUMMARIES OF THE INTERMEDIATE LIEN MASTER TRUST INDENTURE AND THE THIRD SUPPLEMENTAL INTERMEDIATE LIEN TRUST INDENTURE—THE INTERMEDIATE LIEN MASTER TRUST INDENTURE—Requirements for Additional Permitted Prior Lien Obligations."

As of May 1, 2017, the Senior Lien Bonds were outstanding in the aggregate principal amount of \$665,960,000. As of May 1, 2017, DBW Loans were outstanding in the aggregate principal amount of \$4,430,445. All of the currently outstanding Senior Lien Bonds mature on or before May 1, 2033, and all of the currently outstanding DBW Loans mature on or before August 1, 2029. There can be no assurance as to whether the Board will proceed to issue or incur more Permitted Prior Lien Obligations in the future or as to whether the amount of such additional Permitted Prior Lien Obligations will exceed the Port's current expectations.

Additional Senior Lien Bonds. The Board is not subject to any Charter or other statutory limitations on the amount of revenue debt it can issue, nor is it required to seek voter approval for the issuance of revenue debt. The Board has covenanted in the Senior Lien Master Trust Indenture not to issue obligations payable from or secured by a pledge of or lien on Pledged Revenues senior to that of the Senior Lien Bonds.

Subject to certain limitations specified in the Senior Lien Master Trust Indenture, the Board may issue additional Senior Lien Bonds ("Additional Senior Lien Bonds") payable from and secured by an equal pledge of and lien on Pledged Revenues and other security under the Senior Lien Master Trust Indenture, on parity with all other Senior Lien Bonds. Additional Senior Lien Bonds may include, without limitation, bonds, notes, bond anticipation notes, commercial paper and other instruments creating an indebtedness of the Board, obligations incurred through lease or installment purchase agreements or other agreements or certificates of participation in such agreements.

Generally, Additional Senior Lien Bonds may be issued only if there is delivered to the Senior Trustee:

(a) a certificate prepared by an Authorized Board Representative showing that the Net Revenues for any 12 consecutive months out of the 18 consecutive months immediately preceding the issuance of the proposed Series of Additional Senior Lien Bonds or the first Additional Senior Lien Bonds of a Program were at least equal to 125% of Maximum Annual Debt Service for all Senior Lien Bonds which will be Outstanding and Senior Lien Bonds which will be Authorized immediately after the issuance of the proposed Series of Additional Senior Lien Bonds or Implementation of such Program, or

(b) a certificate prepared by a Consultant (as defined in the Senior Lien Master Trust Indenture) showing that:

(1) the Net Revenues for any 12 consecutive months out of the 18 consecutive months immediately preceding the issuance of the proposed Series of Additional Senior Lien Bonds or the first issuance of Senior Lien Bonds constituting part of a Program were at least equal to 125% of Maximum Annual Debt Service for all Senior Lien Bonds Outstanding and Senior Lien Bonds Authorized immediately preceding the issuance of the proposed Series of Additional Senior Lien Bonds or the Implementation of such Program,

(2) for each Fiscal Year during the period from the date of delivery of such certificate until the latest Estimated Completion Date (as defined in the Senior Lien Master Trust Indenture), the Consultant estimates that the Board will be in compliance with rate covenant provisions in the Senior Lien Master Trust Indenture, and

(3) the estimated Net Revenues for each of the three Fiscal Years immediately following the last Estimated Completion Date for the Specified Projects to be financed with proceeds of such Additional Senior Lien Bonds, as certified to the Consultant by an Authorized Board Representative, will be at least equal to 125% of Maximum Annual Debt Service for all Senior Lien Bonds which will be Outstanding and all Senior Lien Bonds which will be Authorized after the issuance of such proposed Additional Senior Lien Bonds or the Implementation of such Program.

Neither certification is required, however, in the case of the issuance of Senior Lien Bonds to refund Outstanding Senior Lien Bonds if Maximum Annual Debt Service for all Senior Lien Bonds Outstanding or Authorized in each of the Fiscal Years after the issuance of the refunding bonds will not exceed Maximum Annual Debt Service in such Fiscal Years on all Senior Lien Bonds Outstanding or Authorized prior to such issuance, and in certain other limited circumstances. For definition of capitalized terms used above and for additional detail on the tests the Board must meet to issue Additional Senior Lien Bonds, including information that the Consultant may take into account in preparing its certificate, see APPENDIX B-2—“SUMMARY OF THE SENIOR LIEN MASTER TRUST INDENTURE.”

The Board may decide to issue Additional Senior Lien Bonds (or Additional Intermediate Lien Bonds) at any time, including without limitation, in connection with financing new capital projects, refundings for savings or for other business purposes, provided the requirements for doing so, as described above, are satisfied.

DBW Loan. To finance the renovation of the Jack London Square marinas, the Port obtained a loan from the California Department of Boating and Waterways in an authorized amount of up to \$7.2 million, bearing interest at a rate of 4.5% per annum (the “DBW Loan”). As of May 1, 2017, the principal amount of the DBW Loan outstanding was \$4,430,445. The final maturity of the DBW Loan is August 1, 2029, and the DBW Loan may be accelerated upon an event of default. With respect to right of repayment from Pledged Revenues, the DBW Loan is subordinate to the Senior Lien Bonds but senior to the Intermediate Lien Bonds and the CP Notes described in “—Subordinated Obligations” below. The Board may incur additional DBW Loans in the future after satisfying certain debt service coverage requirements. See APPENDIX B-1—“SUMMARIES OF THE INTERMEDIATE LIEN MASTER TRUST INDENTURE AND THE THIRD SUPPLEMENTAL INTERMEDIATE LIEN TRUST INDENTURE—THE INTERMEDIATE LIEN MASTER TRUST INDENTURE—Requirements for Additional Permitted Prior Lien Obligations” and APPENDIX B-2—“SUMMARY OF THE SENIOR LIEN MASTER TRUST INDENTURE—Subordinated Obligations.”

Additional Intermediate Lien Bonds

Subject to certain limitations specified in the Intermediate Lien Master Trust Indenture, the Board may issue additional Intermediate Lien Bonds (“Additional Intermediate Lien Bonds”). Additional

Intermediate Lien Bonds may include, without limitation, bonds, notes, bond anticipation notes, commercial paper and other instruments creating an indebtedness of the Board, obligations incurred through lease or installment purchase agreements or other agreements or certificates of participation in such agreements.

Generally, Additional Intermediate Lien Bonds may be issued only if there is delivered to the Intermediate Lien Trustee (a) a certificate prepared by an Authorized Board Representative showing that the Net Revenues for any 12 consecutive months out of the 24 consecutive months immediately preceding the issuance of the proposed Series of Additional Intermediate Lien Bonds or the Intermediate Lien Bonds of a Program were at least equal to 110% of Maximum Annual Debt Service for all Intermediate Lien Bonds, the Senior Lien Bonds and the DBW Loans which will be Outstanding and all of the Intermediate Lien Bonds and the Senior Lien Bonds which will be Authorized immediately after the issuance of the proposed Series of Additional Intermediate Lien Bonds or Implementation of such Program, or (b) a certificate prepared by a Consultant (as defined in the Intermediate Lien Master Trust Indenture) showing that (1) for each Fiscal Year during the period from the date of delivery of such certificate until the latest Estimated Completion Date for the Specified Projects to be financed with proceeds of such Intermediate Lien Bonds, the Consultant (as defined in the Intermediate Lien Master Trust Indenture) estimates that the Board will be in compliance with rate covenant provisions in the Intermediate Lien Master Trust Indenture and (2) the estimated Net Revenues for each of the three Fiscal Years immediately following the last Estimated Completion Date for the Specified Projects to be financed with proceeds of such Intermediate Lien Bonds will be at least equal to 110% of Maximum Annual Debt Service for all Intermediate Lien Bonds, Senior Lien Bonds and DBW Loans that will be Outstanding and all of the Intermediate Lien Bonds and Senior Lien Bonds that will be Authorized after the issuance of such proposed Series of Additional Intermediate Lien Bonds or the Implementation of such Program.

Additional Intermediate Lien Bonds may also be issued under the Intermediate Lien Master Trust Indenture on a parity with the 2017 Intermediate Lien Bonds and any other Intermediate Lien Bonds (x) for the purpose of refunding such Intermediate Lien Bonds or any outstanding Permitted Prior Lien Obligations, provided that the Intermediate Lien Trustee receives a certificate of an Authorized Board Representative showing that Maximum Annual Debt Service on all Outstanding and authorized Permitted Prior Lien Obligations and Intermediate Lien Bonds after the issuance of the refunding Intermediate Lien Bonds will not exceed Maximum Annual Debt Service on all Permitted Prior Lien Obligations and Intermediate Lien Bonds then Outstanding prior to the issuance of such refunding Intermediate Lien Bonds; (y) if the Intermediate Lien Bonds being issued constitute Intermediate Lien Notes (as defined herein) provided that the Authorized Board Representative delivers a certificate to the Intermediate Lien Trustee showing that the aggregate principal amount of the proposed Intermediate Lien Notes, together with the principal amount of any Intermediate Lien Notes then Outstanding, does not exceed 10% of the Net Revenues for any 12 consecutive months out of the 24 months immediately preceding the issuance of the proposed Intermediate Lien Notes, and the Board will be in compliance with rate covenant provisions in the Intermediate Lien Master Trust Indenture; and (z) for the purpose of paying costs of completing a Project for which Permitted Prior Lien Obligations or Intermediate Lien Bonds have previously been issued or incurred, provided that the principal amount of such Intermediate Lien Bonds being issued for completion does not exceed an amount equal to 15% of such original indebtedness for such Project and the Intermediate Lien Trustee receives certain certificates from an Authorized Board Representative and a Consultant to the Board regarding the use of funds from the previously issued indebtedness and the cost estimate, nature and function of such project. See APPENDIX B-1—“SUMMARIES OF THE INTERMEDIATE LIEN MASTER TRUST INDENTURE AND THE THIRD SUPPLEMENTAL INTERMEDIATE LIEN TRUST INDENTURE—DEFINITIONS” AND “—THE INTERMEDIATE LIEN MASTER TRUST INDENTURE—Additional Intermediate Lien Bonds” for the definitions of capitalized terms used in this paragraph and for additional detail on the tests the Board must meet to issue

Additional Intermediate Lien Bonds, including information that the Consultant (as defined in the Intermediate Lien Master Trust Indenture) may take into account in preparing its certificate.

The Board is not subject to any Charter or other statutory limitations on the amount of revenue debt it can issue, nor is it required to seek voter approval for the issuance of revenue debt. The Board has covenanted in the Intermediate Lien Master Trust Indenture not to issue any obligations payable from or secured by a pledge of or lien on Intermediate Lien Pledged Revenues prior to that of the 2017 Intermediate Lien Bonds and other Intermediate Lien Bonds, except for the Permitted Prior Lien Obligations. The terms of the Intermediate Lien Master Trust Indenture do not restrict the Board's ability to issue or obtain additional Permitted Prior Lien Obligations as described above under “– Permitted Prior Lien Obligations – Additional Senior Lien Bonds.” Issuance of Additional Senior Lien Bonds are subject to the certain financial and other requirements under the Senior Lien Master Trust Indenture. The Intermediate Lien Master Trust Indenture requires that the Board must satisfy certain debt service coverage requirements prior to incurring additional DBW Loans. See APPENDIX B-1—“SUMMARIES OF THE INTERMEDIATE LIEN MASTER TRUST INDENTURE AND THE THIRD SUPPLEMENTAL INTERMEDIATE TRUST INDENTURE—Requirements for Additional Permitted Prior Lien Obligations.”

The Board may decide to issue Additional Intermediate Lien Bonds (or Additional Senior Lien Bonds) at any time, including without limitation, in connection with financing new capital projects, refundings for savings or for other business purposes, provided the requirements for doing so, as described above, are satisfied.

Repayment Obligations and Swap Payments

Under certain circumstances described in APPENDIX B-1 – “SUMMARIES OF THE INTERMEDIATE LIEN MASTER TRUST INDENTURE AND THE THIRD SUPPLEMENTAL INTERMEDIATE LIEN TRUST INDENTURE—THE INTERMEDIATE LIEN MASTER TRUST INDENTURE—Repayment Obligations” and “—Obligations Under Qualified Swap” and APPENDIX B-2— “SUMMARY OF THE SENIOR LIEN MASTER TRUST INDENTURE—Repayment Obligations” and “—Obligations Under Qualified Swap,” the obligation of the Board to reimburse the provider of a Credit Facility or a Liquidity Facility (a “Repayment Obligation”) and to make scheduled swap payments in connection with a Qualified Swap may be secured by a pledge of and lien on Pledged Revenues on parity with the Senior Lien Bonds, or by a pledge of and lien on Intermediate Lien Pledged Revenues on parity with the Intermediate Lien Bonds, including the 2017 Intermediate Lien Bonds, depending on whether such obligations relate to the Senior Lien Bonds or the Intermediate Lien Bonds. The Port currently has no Repayment Obligations outstanding and has not entered into (and does not owe any amounts under) any Qualified Swaps.

Subordinated Obligations

The Board is also permitted under the Intermediate Lien Master Trust Indenture to issue or incur obligations secured by a lien on Intermediate Lien Pledged Revenues that is subordinate and junior in right of payment to the lien on Intermediate Lien Pledged Revenues securing the 2017 Intermediate Lien Bonds and all other Intermediate Lien Bonds (“Subordinated Obligations”). Certain existing Subordinated Obligations of the Board are described below.

Commercial Paper. The Port established a commercial paper program in 1998 to provide moneys to pay, among other things, a portion of the costs of the acquisition, construction, reconstruction, improvement and expansion of the Port's facilities. The Port has used, and expects to continue using, its commercial paper program to provide funding for the Port's current five-year Capital Improvement Plan (“CIP”). To date, the Board has authorized the issuance of CP Notes in a principal amount not to exceed

\$300 million outstanding at any one time. As described below, the Port has letters of credit in place supporting a total aggregate principal amount of up to \$200 million of CP Notes. As of May 1, 2017, approximately \$92.7 million principal amount of CP Notes was outstanding. The Port expects to issue additional CP Notes periodically during the next several years.

Payment on up to \$150 million aggregate principal amount of CP Notes is currently supported by a direct-pay letter of credit from Bank of America, N.A. that expires in June 2019, and payment on up to \$50 million aggregate principal amount of CP Notes is currently supported by a direct-pay letter of credit from JPMorgan Chase Bank, National Association that expires in June 2017 (collectively, the “CP Letters of Credit”). The Port expects to substitute the letter of credit from JPMorgan Chase Bank National Association with a letter of credit from Bank of America, N.A. in June 2017. After the anticipated letter of credit substitution in June 2017, the Port will have two separate letters of credit from Bank of America, N.A., with one supporting up to \$150 million aggregate principal amount of CP Notes and the other supporting up to \$50 million aggregate principal amount of CP Notes. Both letters of credit will expire in June 2019.

The Port’s payment obligations with respect to CP Notes and the CP Letters of Credit are payable solely from “Available Pledged Revenues,” which are defined in the indentures governing the terms and issuance of the CP Notes (the “CP Indentures”) to mean Pledged Revenues (as defined in the Senior Lien Master Trust Indenture) after payment therefrom (1) first, of all amounts required to be paid and then due and payable under the Senior Lien Indenture for principal, interest, reserve fund and any other debt service requirements or related obligations on the Senior Lien Bonds, and (2) second, any debt service requirements then due and payable on the DBW Loans and all amounts required to be paid and then due and payable under any indenture or agreement of the Board providing for the issuance or incurrence of indebtedness secured by Pledged Revenues on a basis that is subordinate to the Senior Lien Bonds and senior to the CP Notes for principal, interest, reserve fund and any other debt service requirements or related obligations on any such indebtedness, including the Intermediate Lien Bonds (collectively, the “Subordinate Revenue Bonds”).

In certain circumstances, including, among others, the downgrade of the unenhanced ratings on the Intermediate Lien Bonds below “BBB” by S&P, “BBB” by Fitch Ratings (“Fitch”) or “Baa2” by Moody’s or the withdrawal or suspension of the rating of the Intermediate Lien Bonds by any of such rating agencies, each of the banks providing a CP Letter of Credit can prevent the Board from issuing additional CP Notes. As of the date of this Official Statement, the Intermediate Lien Bonds were rated “A”, “A2” and “A” by S&P, Moody’s and Fitch, respectively. Such ratings express only the views of the rating agencies and are not a recommendation to buy, sell or hold the Intermediate Lien Bonds. An explanation of the significance of each of the ratings may be obtained from the rating agency furnishing the same. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by the rating agencies, or any of them, if, in their or its judgment, circumstances so warrant.

In the event of certain defaults under the Board’s current agreements with the banks, including payment defaults, Port or City bankruptcy and invalidity of the agreements with the banks (collectively, “Acceleration Defaults”), each of the banks may declare any obligations of the Board to reimburse draws under its CP Letter of Credit immediately due and payable.

Under the current agreements with the banks, any amounts payable to the banks with respect to the CP Notes and the CP Letters of Credit (or related agreements between the Board and the banks), including amounts due because of an Acceleration Default, shall be due and payable only from and to the extent of Available Pledged Revenues, and then only to the extent that the Board would have remaining Net Revenues in its then-current Fiscal Year equal to at least 100% of the actual debt service and other

obligations (other than capitalized interest) yet to become due and payable on the outstanding Senior Lien Bonds, DBW Loans and Subordinate Revenue Bonds in such Fiscal Year. If, because of such limitation (the “Payment Limitation”), the Board does not pay the full amounts due to the banks in any Fiscal Year, such unpaid amounts shall be continuing obligations of the Board to the banks to be paid in subsequent Fiscal Years, subject, in each year, to the Payment Limitation.

The terms of future letters of credit and related agreements supporting the Port’s commercial paper program will differ, and may differ materially, from the terms of the Board’s current CP Letters of Credit and related agreements, except that, in any event, the Board’s payment obligations with respect to CP Notes shall be payable solely from Available Pledged Revenues.

Other Subordinated Obligations. Pursuant to the Intermediate Lien Master Trust Indenture, the Board also has the ability to issue other types of Subordinated Obligations. In addition to the CP Notes, the Board in the future may undertake a variety of other direct and indirect financial and contractual obligations payable from Intermediate Lien Pledged Revenues that are subordinate in right of payment to all Intermediate Lien Bonds. See APPENDIX B-1—“SUMMARIES OF THE INTERMEDIATE LIEN MASTER TRUST INDENTURE AND THE THIRD SUPPLEMENTAL INTERMEDIATE LIEN TRUST INDENTURE—THE INTERMEDIATE LIEN MASTER TRUST INDENTURE—Subordinated Obligations.”

Purchase of Bonds

For a variety of purposes, including to provide flexibility with respect to the Port’s use of assets financed with tax-exempt bonds, the Port may, from time-to-time, purchase and cancel or defease Intermediate Lien Bonds or Senior Lien Bonds by purchase of such Intermediate Lien Bonds or Senior Lien Bonds on the open market.

Special Obligations; Other Financial Obligations

The Board may designate a separately identifiable existing facility or a planned facility as a “Special Facility” and may incur debt primarily for the purpose of acquiring, constructing, renovating or improving or providing financing to a third party to acquire, construct, renovate, or improve such facility. Subject to certain conditions, the Board may provide that all income and revenues derived by the Board from such Special Facility will constitute “Special Facilities Revenue” and will not be included as Pledged Revenues or Intermediate Lien Pledged Revenues. The designation of an existing facility as a Special Facility could therefore result in a reduction in Pledged Revenues or Intermediate Lien Pledged Revenues. Indebtedness incurred by the Board to provide financing to a third party with respect to the Special Facility as described above will constitute a “Special Obligation” and will be payable solely from the Special Facilities Revenue. No Special Obligations are currently outstanding, although the Board has incurred Special Obligations in the past and may do so again in the future. See APPENDIX B-1—“SUMMARIES OF THE INTERMEDIATE LIEN MASTER TRUST INDENTURE AND THE THIRD SUPPLEMENTAL INTERMEDIATE LIEN TRUST INDENTURE—THE INTERMEDIATE LIEN MASTER TRUST INDENTURE—Special Facilities and Special Obligations” for a further discussion of Special Facilities and Special Facilities Revenue and the conditions that must be satisfied in order for the Port to incur Special Obligations and provide for such obligations to be secured by a designated stream of Special Facilities Revenue.

Pursuant to the Senior Lien Master Trust Indenture and the Intermediate Lien Master Trust Indenture, the Port also has the ability to incur indebtedness secured by a lien on sources of security other than Pledged Revenues or Intermediate Lien Pledged Revenues, such as PFCs and Customer Facilities Charges. Such additional sources of security, including PFCs and Customer Facilities Charges, may also

provide supplemental security for one or more series of Senior Lien Bonds, Intermediate Lien Bonds; or other obligations in the future. See APPENDIX B-1—“SUMMARIES OF THE INTERMEDIATE LIEN MASTER TRUST INDENTURE AND THE THIRD SUPPLEMENTAL INTERMEDIATE LIEN TRUST INDENTURE—THE INTERMEDIATE LIEN MASTER TRUST INDENTURE—Special Facilities and Special Obligations” and APPENDIX B-2—“SUMMARY OF THE SENIOR LIEN MASTER TRUST INDENTURE—Special Facilities and Special Obligations.”

Other Funds and Accounts

Debt Service Funds. For a description of each of the Debt Service Funds established for each series of the 2007 Intermediate Lien Bonds and certain other funds and accounts created by the Third Supplemental Intermediate Lien Trust Indenture, see APPENDIX B-1—“SUMMARIES OF THE INTERMEDIATE LIEN MASTER TRUST INDENTURE AND THE THIRD SUPPLEMENTAL INTERMEDIATE LIEN TRUST INDENTURE—THE THIRD SUPPLEMENTAL INTERMEDIATE LIEN TRUST INDENTURE—Establishment of Funds.”

Port Bond Reserve Fund. In 1989, the Board adopted a resolution establishing a Port Bond Reserve Fund (the “Port Bond Reserve Fund”) to be used, first, to ensure timely payment of debt service on all outstanding revenue bonds of the Port, and, second, to fund emergency capital expenditures or extraordinary operating and maintenance expenses. The Port Bond Reserve Fund is an internal fund of the Port funded with Port revenues (not bond proceeds) and is separate from the reserve funds (including the Intermediate Lien Common Reserve Fund) established under the Intermediate Lien Master Trust Indenture. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2017 INTERMEDIATE LIEN BONDS—Intermediate Lien Common Reserve Fund” above. Funds may be released from the Port Bond Reserve Fund only upon the recommendation of the Port’s Chief Financial Officer and the approval of the Board. On November 19, 1996, the Board adopted a resolution providing that the amount in the Port Bond Reserve Fund shall be equal to and not exceed \$30 million. The Board is currently in compliance with such requirement. The current Port Bond Reserve Fund policy provides that such fund is to be used, first, to ensure timely payment of debt service on all outstanding indebtedness of the Port, and, second, to fund emergency capital expenditures or extraordinary operating and maintenance expenses.

The funds in the Port Bond Reserve Fund are not pledged to debt service payments on the Senior Lien Bonds or Intermediate Lien Bonds, including the 2017 Intermediate Lien Bonds. The Board is not obligated under the Intermediate Lien Master Trust Indenture or the Senior Lien Master Trust Indenture to maintain the Port Bond Reserve Fund, and the Port Bond Reserve Fund could be revised or eliminated at any time by the Board. Since its inception, the Port has not drawn on the funds in the Port Bond Reserve Fund to make debt service payments or for any other expenditures.

Operating Reserve Fund. The Board established an operating reserve fund (the “Operating Reserve Fund”) within the Port Revenue Fund, which is to be funded in an amount equal to 12.5% of the Port’s approved annual operating expense budget (the “Operating Reserve Requirement”) for the applicable year. The Port’s Chief Financial Officer may withdraw funds from the Operating Reserve Fund for unanticipated working capital requirements of the Port, subject to any other applicable requirements of the Board. While the funds held in the Operating Reserve Fund may not be directly available for debt service payments on the Intermediate Lien Bonds, the Port may use such funds to pay for its operating costs, making other funds available for its debt service obligations. The Port’s Chief Financial Officer must inform the Board (i) quarterly on the status of the Operating Reserve Fund and (ii) whenever the Operating Reserve Fund falls below the Operating Reserve Requirement for the applicable year. The balance of the Operating Reserve Fund as of May 1, 2017 was approximately \$25.7 million and satisfied the Operating Reserve Requirement.

The funds in the Operating Reserve Fund are not pledged to debt service payments on the Senior Lien Bonds or Intermediate Lien Bonds, including the 2017 Intermediate Lien Bonds. The Board is not obligated under the Intermediate Lien Master Trust Indenture or the Senior Lien Master Trust Indenture to maintain the Operating Reserve Fund. The Operating Reserve Fund could be revised or eliminated at any time by the Board.

Capital Reserve Fund. The Board established a Capital Reserve Fund within the Port Revenue Fund equal to and not to exceed \$15 million. The Port's Chief Financial Officer may withdraw funds from the Capital Reserve Fund for the following purposes: (i) to pay principal of and interest on indebtedness of the Port in the event that debt service reserve funds and revenues of the Port are insufficient to pay such principal and interest then due and owing by the Port, (ii) for extraordinary capital improvements following approval of a project or a contract by the Board, and (iii) for extraordinary operating and/or maintenance expenditures of the Port as approved by the Board.

The funds in the Capital Reserve Fund are not pledged to debt service payments on the Senior Lien Bonds or Intermediate Lien Bonds, including the 2017 Intermediate Lien Bonds. The Board is not obligated under the Intermediate Lien Master Trust Indenture or the Senior Lien Master Trust Indenture to maintain the Capital Reserve Fund. The Capital Reserve Fund could be revised or eliminated at any time by the Board.

AMENDMENTS TO INTERMEDIATE LIEN MASTER TRUST INDENTURE

The Third Supplemental Intermediate Trust Indenture provides for amendments to certain provisions of the Intermediate Lien Master Trust Indenture, which amendments shall become effective, without necessity for any further action by the Board or by any other entity, at such time as the holders of at least 51% of the aggregate principal amount of the Intermediate Lien Bonds then-Outstanding have consented (or have been deemed to have consented) to such amendments. By purchase of any 2017 Intermediate Lien Bonds, the holders of such 2017 Intermediate Lien Bonds shall be deemed to have received notice of amendments to the Intermediate Lien Master Trust Indenture and consented to such amendments. After the issuance of the 2017 Intermediate Lien Bonds and the defeasance of the Refunded 2007 Intermediate Lien Bonds, the holders of the 2017 Intermediate Lien Bonds will hold 100% of the aggregate principal amount of the Intermediate Lien Bonds then Outstanding and such amendments to the Intermediate Lien Master Trust Indenture will be effective.

The amendments to the Intermediate Lien Master Trust Indenture are intended to clarify the intent of certain provisions of the Intermediate Lien Master Trust Indenture and to provide flexibility to the Board with respect to certain operational covenants. The amendments consist of the following:

Insurance Requirements. As of the date hereof, Section 5.19 of the Intermediate Lien Master Trust Indenture sets forth certain requirements related to "Qualified Self-Insurance," which the Port may provide to satisfy the insurance requirements of the Intermediate Lien Master Trust Indenture. Section 5.19 also requires that fidelity insurance or bonds be maintained with respect to employees of the Board who are responsible for funds of the Board. This provision will be amended so as to remove specific references to Qualified Self-Insurance and to remove the requirement for fidelity insurance or bonds with respect to certain Port employees, in each case to provide the Port with greater flexibility in structuring its insurance programs. The removal of the specific references to Qualified Self-Insurance in Section 5.19 of the Intermediate Lien Master Trust Indenture, however, will not prevent the Port from satisfying the insurance requirements of the Intermediate Lien Master Trust Indenture through self-insurance. The Port also currently maintains, and currently intends to continue to maintain, fidelity insurance.

Transfer of Port Facilities. Section 5.13 of the Intermediate Lien Master Trust Indenture sets forth the circumstances in which the Board may transfer, sell, or otherwise dispose of Port Facilities (as defined in the Intermediate Lien Master Trust Indenture). This provision will be amended to clarify that any lease, license, concession or similar arrangement entered into by the Board and granting others the right to use Port Facilities for any period in exchange for fair market value is not considered a transfer, sale, or disposition of Port Facilities that is subject to the provisions of Section 5.13.

DEBT SERVICE SCHEDULE

Table 1 sets forth the debt service schedule for the Outstanding Permitted Prior Lien Obligations and the 2017 Intermediate Lien Bonds.

For information about historical and projected debt service coverage with respect to the Senior Lien Bonds, DBW Loan and Intermediate Lien Bonds, see “PORT FINANCES—Debt Service Coverage—Historical Debt Service Coverage.”

**TABLE 1
PORT OF OAKLAND
PERMITTED PRIOR LIEN OBLIGATIONS AND 2017 INTERMEDIATE
LIEN BONDS DEBT SERVICE SCHEDULE**

Fiscal Year (ending June 30)	Debt Service On Permitted Prior Lien Obligations ⁽¹⁾	Principal of 2017 Intermediate Lien Bonds	Interest on 2017 Intermediate Lien Bonds	Total Debt Service on Permitted Prior Lien Obligations & 2017 Intermediate Lien Bonds
2018	\$ 45,827,364	-	\$ 8,771,349	\$ 54,598,713 ⁽³⁾
2019	46,812,239	\$ 35,695,000	10,903,267	93,410,506
2020	47,890,239	36,345,000	9,172,879	93,408,118
2021	66,151,739	19,320,000	7,876,910	93,348,650
2022	76,926,339	9,250,000	7,233,399	93,409,738
2023	75,055,464	11,580,000	6,780,208	93,415,672
2024	64,741,114	22,645,000	6,023,975	93,410,089
2025	64,740,614	23,685,000	4,990,393	93,416,007
2026	68,538,614	20,890,000	3,984,848	93,413,462
2027	65,940,114	24,550,000	2,920,893	93,411,007
2028	68,532,514	15,710,000	1,965,655	86,208,169
2029	67,967,764	17,040,000	1,203,368	86,211,132
2030	68,567,725	17,240,000	403,078	86,210,803
2031	66,559,238	-	-	66,559,238
2032	38,453,500	-	-	38,453,500
2033	38,740,125	-	-	38,740,125
Total ⁽²⁾	<u>\$971,444,709</u>	<u>\$253,950,000</u>	<u>\$72,230,219</u>	<u>\$1,297,624,928</u>

⁽¹⁾ Includes debt service on Senior Lien Bonds and DBW Loan, excludes debt service on Refunded 2007 Intermediate Lien Bonds.

⁽²⁾ Totals may not add due to rounding.

⁽³⁾ FY2018 total debt service does not reflect Port’s prepayment of a portion of the 11/1/2017 debt service on the Refunded 2007 Intermediate Lien Bonds.

THE PORT OF OAKLAND

The Port manages three lines of business: Aviation, Maritime and Commercial Real Estate. Total Port operating revenues were approximately \$338 million for Fiscal Year 2016. Of this \$338 million, the Aviation Division generated approximately 51%, the Maritime Division generated approximately 44%, and the Commercial Real Estate Division generated approximately 5%. See “PORT FINANCES.”

The City has operated harbor facilities to serve waterborne commerce since its incorporation in 1852. The City has operated an airport since 1927. Exclusive control and management of the Port Area, which includes the Seaport and the Airport, were delegated to the Board in 1927 by an amendment to the Charter.

The Board has exclusive control and management of the Port Area, all of the Port’s facilities and property, real and personal, all income and revenues of the Port, and proceeds of all bond sales initiated by the Board for Seaport or Airport improvements or for any other purposes. Under the Charter, the Port is an independent department of the City.

The Board has the power under the Charter to fix, alter, change or modify the rates, tolls, fees, rentals and charges for the use of the Port’s facilities and any services provided in connection with the Port’s facilities. A substantial portion of the Port’s revenues are governed by lease, use, license and other agreements with the Port’s tenants and customers of the Port’s three lines of business. As further described herein, the Port has only a limited ability to increase revenues under certain of those agreements during their respective terms. Furthermore, all Port properties are subject to the tidelands trust restriction described under “PORT FINANCES—Tidelands Trust Properties.”

Port Management

The Board. As provided in the Charter, the Board consists of seven members appointed to four-year staggered terms by the City Council upon nomination by the Mayor of the City. Members of the Board must be residents of the City and serve without compensation. Board members may be removed from office only for cause and by the affirmative vote of six of the eight members of the City Council. Table 2 lists the current members of the Board, with each Board member’s principal occupation, term commencement date, and the expiration date of the current term being served.

**TABLE 2
PORT OF OAKLAND
BOARD OF PORT COMMISSIONERS**

Name	Occupation	Service Commenced	Term ends (July 10) ⁽¹⁾
Michael Colbruno, President	Partner Milo Group	July 2013	2017
Cestra Butner, First Vice President	Former President, CEO & Owner of Horizon Beverage Company	August 2012	2019
Joan H. Story, Second Vice President	Attorney; Partner, Sheppard Mullin Richter & Hampton, LLP	July 2015	2019
Andreas Cluver, Commissioner	Secretary-Treasurer of the Alameda County Building Trades Council	February 2016	2020
Earl S. Hamlin, Commissioner	Retired; Former Investment Banker	May 2012	2017
Arabella Martinez, Commissioner	Retired; Founder & Former CEO of the Unity Council in Oakland	February 2016	2020
Alan S. Yee, Commissioner	Attorney; Partner, Siegel & Yee	May 2011	2018

⁽¹⁾ If reappointment or replacement by formal action of the Mayor and City Council for Commissions whose terms are expiring does not occur by the expiration date of the current term, the Commissioners continue in office in a holdover status until such reappointment or replacement as provided in the Charter.

Senior Port Management. The overall operations and administration of the Port is led by the Port’s Executive Director. The Chief Financial Officer, and the Directors of Maritime, Aviation, Commercial Real Estate and Engineering report directly to the Executive Director. The Port Attorney and the Executive Director report directly to the Board. The senior management staff of the Port are set forth below.

J. Christopher Lytle became the Port's Executive Director in July 2013. Mr. Lytle is responsible for the overall activities of the Port and is responsible for carrying out the policies of the Board. Prior to the Port, Mr. Lytle served as the Executive Director at the Port of Long Beach. He also served as the Deputy Executive Director and Chief Operating Officer, and prior to that, Managing Director of Trade Relations and Port Operations Bureau at the Port of Long Beach. A longtime shipping industry veteran, Mr. Lytle also served as Vice President of West Coast Operations for the French-based shipping line CMA CGM and held executive positions at P&O Ports North America, APM (Maersk) Terminals, and Sea-Land Service, Inc.

Mr. Lytle has served on the Board of Directors of the Pacific Merchant Shipping Association, Steamship Association of Southern California, the Propeller Club of Los Angeles and Long Beach, and the Marine Exchange of Southern California; and was a member of the Executive Committee for the Center for International Trade and Transportation. He currently serves on the Board of Directors of the University of Denver's Intermodal Transportation Institute. Mr. Lytle received a Bachelor of Business Administration from Central Washington University and a Master in Business Administration from the University of Puget Sound.

Danny Wan became Port Attorney in December 2012. Mr. Wan is responsible for advising the Port on a broad range of legal affairs that arise in the conduct of the Port's maritime, aviation, and commercial real estate businesses. Prior to this appointment, Mr. Wan was the City Attorney and Risk Manager for the City of Morgan Hill, California and served as part of the city's executive management team. From 2004-2008, Mr. Wan served as Deputy Port Attorney with the Port, being primarily responsible for land use, environmental regulatory compliance, City Charter compliance and inter-agency agreements. Prior to that position, Mr. Wan was an Oakland City Council member; he also worked in private law practice, specializing in municipal financing and securities disclosure. Mr. Wan received his Bachelor of Arts in Rhetoric from the University of California, Berkeley and his Juris Doctor from the University of California, Los Angeles Law School.

Bryant L. Francis became Director of Aviation in March 2016. His responsibilities include managing all aspects of the Airport, including operations, facilities, marketing, properties, security, and planning and development. Mr. Francis is a 20-year veteran in aviation management. Before joining the Port, he was the Executive Director of Long Beach Airport in California and prior to that position, Director of Airports for the Shreveport Airport Authority in Louisiana. He also served in senior management positions at Boise Airport, Detroit Metropolitan Airport and Palm Springs International Airport. He began his career at Hartsfield-Jackson Atlanta International Airport. Mr. Francis is on the Board of Directors of the Airports Council International – North America and the Diversity Committee Chair for the American Association of Airport Executives. He received a Bachelor of Science in Aviation Management from Embry-Riddle Aeronautical University.

John C. Driscoll became Director of Maritime in January 2014. His responsibilities include managing all aspects of the Seaport, including operations, marketing, properties, security, and planning and development. Prior to the Port, he served as Vice President of Export Sales at CMA CGM (America), a leading global container shipping company. Mr. Driscoll's career spans more than 30 years within the international maritime industry, having worked for Sea-Land Service, Maersk Line and CMA CGM. Mr. Driscoll attended the University of Maryland and graduated with a Bachelor of Science in Business Management with an emphasis on Transportation and Marketing.

Pamela Kershaw became Director of Commercial Real Estate in May 2012, having served as Acting Director of Commercial Real Estate since January 2010. She has been at the Port for the past 17 years. Ms. Kershaw is responsible for managing a diverse commercial real estate portfolio of over 100+ tenant agreements. Ms. Kershaw has over 25 years of experience working for various public agencies in the Bay

Area in the field of land planning, real estate and development. Ms. Kershaw is also a member of various professional associations and community organizations including the American Institute of Certified Planners, the American Planning Association and the Urban Land Institute; she is a past member of the Landmarks Preservation Advisory Board in Oakland and a current board member of the Oakland Metropolitan Chamber of Commerce. Ms. Kershaw has a Bachelor of Arts in Urban Geography from the University of California, Berkeley and a Master in Public Administration from California State University, Hayward.

Sara Lee became the Port's Chief Financial Officer in July 2009. She has overall responsibilities for overseeing the Port's financial management, budgeting, strategy and planning, accounting, reporting and controls. In addition, she is responsible for human resources, information technology, risk management and purchasing. Previously, Ms. Lee spent 17 years in investment banking, largely in public sector finance. Prior to the Port, Ms. Lee served as a Vice President at Goldman, Sachs & Co. Ms. Lee received her Bachelor of Science in Economics, from the Wharton School at the University of Pennsylvania and a Master in Public Policy from the Kennedy School of Government at Harvard University.

Chris Chan became the Port's Director of Engineering in January 2012, having served as Acting Director of Engineering since January 2010. Mr. Chan is responsible for project design and delivery, engineering services, environmental programs and planning, and utilities. He has been at the Port for 26 years. Prior to the Port, Mr. Chan worked as an engineer with the Alameda County Public Works Department and the Los Angeles Department of Water and Power. Mr. Chan is a registered professional civil engineer and graduated with a Bachelor of Science and a Master of Science in Civil Engineering from the University of California, Berkeley. He is a member of the American Society of Civil Engineers and a board member of the Oakland Chinatown Chamber of Commerce.

Employees and Labor Relations

The Port has 502 full time equivalent employees budgeted for Fiscal Year 2017. The Port shares a common Civil Service system with the City. Port employees are either assigned to "classified" Civil Service positions or are specifically exempted from the Civil Service system by the City Charter or by Resolution of the City's Civil Service Board.

Ninety-six percent of the Port employees are members of one of the four recognized employee organizations at the Port: Service Employees International Union, Local 1021 ("SEIU") (approximately 229 clerical/administrative and maintenance/operations employees); Western Council of Engineers ("WCE") (approximately 47 professional engineers, scientists and planners); International Brotherhood of Electrical Workers, Local 1245 ("IBEW") (approximately 37 supervisors and forepersons); and International Federation of Professional & Technical Engineers, Local 21 ("IFPTE") (approximately 170 management and administrative employees). The remaining 4%, or approximately 19 full time equivalent positions, including senior management and certain legal and human resources staff, are not represented by an employee organization. The Memorandum of Understanding ("MOU") with each employee organization expires on December 31, 2017. Labor negotiations for successor MOUs are slated to begin in mid-to late 2017. See "INVESTOR CONSIDERATIONS—Potential Labor Activity."

Aviation

Overview. The Airport is one of three major commercial airports serving the nine-county San Francisco/Oakland/San Jose metropolitan area (the "Bay Area"), which is the 3rd largest air travel market in the United States according to the U.S. Department of Transportation, Origin and Destination Survey, (as of December 2016) (the "US DOT O&D Survey"). Although the Airport primarily serves the East Bay counties of Alameda and Contra Costa, it also serves the greater Bay Area. The Airport competes with two

other Bay Area airports, San Francisco International Airport (“SFO”) and the Norman Y. Mineta San Jose International Airport (“SJC”). See “—Activity at the Airport—Competition” below and APPENDIX F—“ECONOMIC AND DEMOGRAPHIC INFORMATION.”

In Fiscal Year 2016, the Airport served approximately 5.8 million enplaned passengers (passengers boarding at the Airport). According to the US DOT O&D Survey, approximately 86% were origin-destination passengers – those who begin or end their trip at the Airport. This contrasts with airports that are served primarily by airlines that maintain “hub and spoke” networks that generate much higher percentages of connecting passengers who start or finish their trips at other locations.

In Fiscal Year 2016, the Airport accommodated approximately 103,000 scheduled revenue passenger airline operations (take-offs and landings), approximately 101,000 general aviation operations and approximately 20,000 revenue air cargo operations (including express shipping, freight and mail) that carried approximately 595,000 tons of cargo. In calendar year 2015, the Airport ranked 36th in the United States in terms of total passengers and 13th in the United States and second in California in terms of air cargo tonnage, based on the FAA Passenger Boarding (Enplanement) and All-Cargo Data for U.S. Airports.

The airlines operating at the Airport primarily provide non-stop travel to short-haul (up to 600 air travel miles) and medium-haul (between 601 and 1,800 air travel miles) markets. In 2017, the airlines are scheduled to offer non-stop flights from OAK to 62 destinations, the most in its history. In addition to short and medium-haul domestic air routes, Alaska Airlines and Hawaiian Airlines provide non-stop service to the four main Hawaiian Islands of Hawaii, Maui, Kauai and Oahu. Southwest will commence non-stop service to Newark Liberty International Airport (New York-New Jersey Metropolitan Area) in June 2017, which complements jetBlue service to John F. Kennedy International Airport (New York-New Jersey Metropolitan Area). Airlines have also established or re-established non-stop service on many long-haul domestic routes in the past two years, including Baltimore-Washington, Nashville, Chicago-O’Hare, Dallas-Love, Dallas-Fort Worth, Houston-Intercontinental, Atlanta, St. Louis and Detroit. The Airport has also increased international air service including non-stop service to several cities in Europe including Copenhagen, Oslo, Stockholm and Barcelona via Norwegian Air Shuttle; to London via Norwegian Air Shuttle and British Airways; and to Lisbon via Azores Airlines (formerly known as SATA International). Service to Mexico has also expanded including non-stop service to Leon, Morelia, Tijuana, Mexico City and Guadalajara via Volaris; and to Cabo San Lucas and Puerto Vallarta via Southwest.

In Fiscal Year 2016, the Aviation Division generated approximately 51.2% (\$173.1 million) of the Port’s total operating revenues. Approximately 41.0% of the Aviation Division’s operating revenues in Fiscal Year 2016 were derived from terminal rentals paid by passenger airlines and by landing fees paid by passenger and air cargo airlines. Other major sources of Aviation operating revenues include parking and ground access revenues (21.3%), lease rentals (17.2%), and concession revenues (13.5%). The balance of Aviation Division’s operating revenues were derived from fueling, utility sales, non-airline terminal revenues, and other miscellaneous revenues.

In general, there is not a direct correlation between activity at the Airport and Aviation Division revenues due to the Airport’s methodology for establishing Airline Rates and Charges. However, activity levels affect PFCs, parking and ground transportation revenues, as well as long-term demand for the Port’s facilities, airlines’ cost per enplanement and the financial condition of the Port’s aviation tenants, and therefore of the Port. Air carriers make payments to the Port under the Board’s rates and charges ordinance as described under the subheading “—Airline Agreements and Rate Setting – Rate Setting” below. For more information about the Aviation Division’s revenues, see “—Major Sources of Airport Operating Revenues” and “—Airline Agreements and Rate Setting.” For additional information about factors that may affect the Aviation Division, see “—Activity at the Airport—Competition,” “INVESTOR CONSIDERATIONS—Uncertainties of the Aviation Industry,” “—Competitive Considerations at the

Airport.” For certain economic and demographic information related to the Bay Area, see APPENDIX F—“ECONOMIC AND DEMOGRAPHIC INFORMATION.”

Airport Facilities.

The Airport’s facilities consist generally of terminal, airfield, air cargo, business and general aviation, parking, curbsides, a consolidated rental car facility, and maintenance. The diagram on the following page shows the current layout of the Airport.

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OAKLAND INTERNATIONAL AIRPORT



Passenger Terminals. The Airport’s commercial passenger terminals consist of two terminal buildings with approximately 556,000 gross square feet of space and 29 gates, all equipped with loading bridges and joined by a post-security connector corridor. The Port is in the process of renovating and retrofitting its Terminal 1; the Port is also upgrading the International Arrivals Building to provide expanded primary processing and baggage claim to accommodate the growing international service at OAK. Capital projects at the Airport’s facilities are discussed under “CAPITAL PLANNING AND CAPITAL PROJECTS – Projects in the CIP—Aviation Projects in the CIP.”

Airfield. The Airport has a fully instrumented 10,000 foot main commercial runway long enough to accommodate all types of commercial passenger and air cargo aircraft. This runway primarily serves air carrier operations and business jet departures. In addition, there are three runways of 6,212 feet, 5,454 feet and 3,372 feet used primarily for business and general aviation purposes. This segregation of traffic enhances safety, optimizes the use of airfield capacity, and allows the shorter runways to serve as an alternative to the Airport’s main commercial runway in the event the main commercial runway is unavailable due to an incident or maintenance. Capital projects at the Airport’s facilities are discussed under “CAPITAL PLANNING AND CAPITAL PROJECTS—Projects in the CIP—Aviation Projects in the CIP.”

Cargo Facilities. FedEx and UPS operate major air cargo facilities. The Airport houses FedEx’s West Coast hub for its express package operations, which is among the five largest FedEx hubs worldwide. FedEx operates an approximately 320,000 square foot domestic sorting facility and an approximately 100,000 square foot international clearance station along with adjacent aircraft apron on approximately 75.5 acres pursuant to a single lease, which expires on December 31, 2036. UPS occupies an approximately 49,000 square foot facility, where it conducts daily-containerized loading activities to and from its aircraft, pursuant to a month-to-month lease. UPS maintains a nearby off-Airport sort facility which is located on Port property. Other significant tenants of the cargo buildings include Southwest Airlines, Alaska Airlines, Aviation Port Services and DAL Global Services.

Fixed Based Operator Facilities. Two fixed base operators (“FBOs”), Signature Flight Support (formerly Landmark Aviation), and Kaiser Air, Inc. (“Kaiser Air”) serve local, national, and international corporate and dignitary customers with full-service facilities at the Airport. FBOs provide fueling, maintenance, charter aircraft passenger services, and aircraft parking and storage on OAK’s airfield and in Port-owned hangars. KaiserAir handles general aviation and corporate clients, and also operates its proprietary (Part 121) aircraft with weekly scheduled flights to Hawaii. The Port has several leases with Kaiser Air which expire at various times through 2019. Signature’s lease expires in October 2031. Signature is required to make certain capital investments pursuant to the terms of its lease.

Parking Facilities. The public parking facilities at the Airport can accommodate approximately 7,000 vehicles, in the Premier, Hourly, Daily and Economy parking lots. In addition to the public parking spaces, there are approximately 1,700 non-public parking spaces in various lots located at the Airport for use by Airport, airline, tenant, government and vendor/contractor staff. As of May 2017, there were approximately 5,700 off-Airport parking spaces operated by private companies that serve passengers using the Airport. Competition from off-Airport parking has a significant impact on on-Airport parking demand and revenue. For discussion of parking revenues, see “—Major Sources of Airport Operating Revenues— Parking and Ground Access.”

The parking facilities at the Airport are currently operated by LAZ Parking Oakland Airport, LLC (“LAZ”) pursuant to a management contract that expires December 1, 2017. The Port expects to execute a new management contract with a parking management contractor by that time. Currently, the management contract with LAZ provides that the Port receives all parking revenues, except for a fixed management fee

and a possible additional incentive fee that could be earned based on meeting certain parking volume thresholds. This fee framework is expected to continue in a new management contract.

Other Major Facilities. Other major facilities include: two executive general aviation terminals; a consolidated rental car facility (including maintenance and vehicle storage facilities); a facility used by Rolls Royce Engine Services-Oakland to perform aircraft engine repairs; ten large aircraft hangars serving corporate and general aviation tenants and customers; and a number of smaller hangars used to house general aviation aircraft. The BART Oakland Airport Connector, which opened in November 2014, provides service between the Airport and the regional rail transit system using an automated people mover. See “—Major Sources of Airport Operating Revenues—Rental Car Payments and Customer Facility Charges” below, for discussion of the agreements with the rental car companies

Activity at the Airport.

Airlines Serving the Airport. As of May 1, 2017, the Airport was served by the domestic air carriers, foreign flag carriers, regional jet carriers and all-cargo carriers listed in Table 3. In June 2017, LEVEL, a new international low-cost airline launched by International Airlines Group, commenced service from the Airport to Barcelona.

**TABLE 3
PORT OF OAKLAND
AIRLINES SERVING OAKLAND INTERNATIONAL AIRPORT
(May 1, 2017)**

Domestic Air Carriers	Foreign Flag Carriers	Regional Jet Carriers	Air Cargo Carriers
Alaska Airlines ⁽¹⁾	SATA/Azores Airlines ⁽²⁾	Compass Airlines ⁽⁴⁾	FedEx
Allegiant Air	British Airways ⁽³⁾	Horizon Air ⁽¹⁾	United Parcel Service
American Airlines	Norwegian Air Shuttle	SkyWest Airlines ⁽⁵⁾	West Air ⁽⁷⁾
Boutique Airlines	Volaris	Mesa Airlines ⁽⁶⁾	
Delta Air Lines			
Hawaiian Airlines			
Jet Blue Airways			
Southwest Airlines			
Spirit Airlines			

⁽¹⁾ Horizon Air and Alaska Airlines are wholly-owned subsidiaries of Alaska Air Group Inc. and operate under separate FAA operating certificates.

⁽²⁾ Previously known as SATA International, provides seasonal scheduled summer service to the Azores Islands, with through service to Lisbon, Portugal.

⁽³⁾ British Airways commenced non-stop service to London’s Gatwick Airport beginning March 28, 2017.

⁽⁴⁾ Compass Airlines provides regional service for Delta Air Lines.

⁽⁵⁾ SkyWest Airlines provides regional service for Delta Air Lines, Alaska Airlines and American Airlines.

⁽⁶⁾ Mesa Airlines provides regional service for American Airlines.

⁽⁷⁾ West Air operates cargo flights on behalf of FedEx.

Passenger Service. The Airport served approximately 5.8 million enplaned passengers in Fiscal Year 2016, which represented an increase of 8.1% from Fiscal Year 2015. From Fiscal Year 2001 through Fiscal Year 2007, enplanements grew an average of 4.3% annually, but then substantially declined in Fiscal Years 2008 through 2009. More modest declines occurred in Fiscal Years 2010 and 2011. The substantial declines in Fiscal Years 2008 and 2009 occurred due to a combination of factors, including the national economic recession and certain airline competitive actions. Other factors included bankruptcies and cessation of operations of three carriers serving the Airport in 2008 (Skybus, Aloha and ATA), the departure of Continental, American, and TACA from the Airport in 2009 and a significant service reduction by United, which eventually ceased its operations at the Airport in 2012. The decreases in enplanements in Fiscal Years 2010 and 2011 reflected general economic conditions, the continued impact of airline

competitive actions to secure market share, and the bankruptcy and cessation of operations of one additional carrier (Mexicana) in 2010.

From Fiscal Year 2011 through Fiscal Year 2016, the Airport’s passenger traffic volume has increased 24%. This increase in enplanements reflects, among other factors, an increase in service from both new and existing carriers operating at the Airport, including new service to the Hawaiian Islands by Alaska Airlines and Hawaiian Airlines, and several new routes serviced by Southwest Airlines, Spirit Airlines and Norwegian Air Shuttle.

Table 4 presents the Airport’s enplaned passengers for Fiscal Years 2007 through 2016 and for the first nine months of Fiscal Years 2016 and 2017. Table 5 presents monthly enplanements for the first nine months of Fiscal Year 2016 and Fiscal Year 2017. For discussion of factors impacting traffic at the Airport, see “—Competition,” “INVESTOR CONSIDERATIONS—Uncertainties of the Aviation Industry” and “—Competitive Considerations of the Airport.”

**TABLE 4
PORT OF OAKLAND
OAKLAND INTERNATIONAL AIRPORT PASSENGER ENPLANEMENTS
FISCAL YEARS 2007 THROUGH 2016
AND FIRST NINE MONTHS OF FISCAL YEARS 2016 AND 2017**

Fiscal Year	Passenger Enplanements	% Growth Rate
2007	7,267,170	—
2008	6,802,486	(6.4)%
2009	4,955,743	(27.1)
2010	4,777,514	(3.6)
2011	4,687,878	(1.9)
2012	4,825,802	2.9
2013	4,973,107	3.1
2014	4,949,628	(0.5)
2015	5,374,187	8.6
2016	5,812,058	8.1
Compound Annual Growth Rate		
2007-2016		(2.5)
2012-2016		4.8
First Nine Months of Fiscal Years (July 1 – March 31)		
2016	4,278,801	N/A
2017	4,582,827	7.1

**TABLE 5
PORT OF OAKLAND
OAKLAND INTERNATIONAL AIRPORT
MONTHLY COMPARISON OF ENPLANED PASSENGERS
FIRST NINE MONTHS OF FISCAL YEARS 2016 AND 2017**

Month	2016 Enplanements	2017 Enplanements	% Change From Corresponding Period in Fiscal Year 2016
July	533,655	564,361	5.8%
August	515,742	550,705	6.8
September	466,697	510,937	9.5
October	491,886	535,789	8.9
November	477,148	520,720	9.1
December	493,130	525,143	6.5
January	412,261	440,883	6.9
February	403,725	425,580	5.4
March	484,557	508,709	5.0
Total	4,278,801	4,582,827	7.1%

Airline Market Shares at the Airport. Tables 6 and 7 set forth the enplaned passengers (total passengers boarding at the Airport) and aircraft gross landed weights, respectively, by airline, for Fiscal Years 2012 through 2016. As shown in Table 6, Southwest Airlines was the most active carrier at the Airport, enplaning 4.03 million passengers in Fiscal Year 2016. During the period of Fiscal Year 2012 to Fiscal Year 2016, Southwest’s market share (based on enplanements) ranged from a low of 68.9% in Fiscal Year 2013 to a high of 70.7% in Fiscal Year 2012. No other airline had a market share at the Airport greater than 6.6% in Fiscal Year 2016 which was the combined enplanement percentage for Alaska Airlines and Horizon Air, which are wholly owned subsidiaries of Alaska Air Group Inc. and operate under separate FAA operating certificates. Risks associated with having a dominant carrier at the Airport are discussed below under “INVESTOR CONSIDERATIONS—Competitive Considerations at the Airport.”

In December 2016, Alaska Airlines and Virgin America announced the completion of the merger of the two airlines. Currently, Alaska Airlines and Virgin America are in the process of securing FAA certification to allow the two airlines to operate as a single carrier. The Port cannot predict the effect of the merger on scheduled operations at OAK or other Bay Area airports where one or both airlines operate.

TABLE 6
PORT OF OAKLAND
OAKLAND INTERNATIONAL AIRPORT
HISTORICAL ENPLANEMENTS BY AIRLINE
FISCAL YEARS 2012 THROUGH 2016

Airline	2012		2013		2014		2015		2016	
	Enplanements	%	Enplanements	%	Enplanements	%	Enplanements	%	Enplanements	%
Southwest Airlines	3,400,462	70.7%	3,428,685	68.9%	3,432,364	69.3%	3,710,097	69.0%	4,029,607	69.3%
Alaska Airlines ⁽¹⁾	295,255	6.1	374,796	7.5	319,652	6.5	333,637	6.2	312,879	5.4
Spirit Airlines	85,294	1.8	105,332	2.1	141,473	2.9	222,191	4.1	287,874	5.0
Hawaiian Airlines	119,212	2.5	138,228	2.8	166,121	3.4	194,113	3.6	209,296	3.6
JetBlue Airways	238,947	5.0	242,586	4.9	212,496	4.3	195,917	3.6	188,106	3.2
Delta Air Lines	78,718	1.6	117,084	2.4	142,712	2.9	128,954	2.4	176,980	3.0
Volaris	73,064	1.5	67,257	1.4	68,566	1.4	89,196	1.7	120,053	2.1
Allegiant Air	82,518	1.7	134,686	2.7	96,001	1.9	103,413	1.9	92,752	1.6
Skywest Airlines ⁽²⁾	132,931	2.8	115,721	2.3	127,059	2.6	145,740	2.7	87,830	1.5
US Airways ⁽³⁾	118,192	2.5	81,694	1.6	103,633	2.1	82,842	1.5	88,311	1.5
Horizon Air	105,290	2.2	86,302	1.7	72,240	1.5	66,799	1.2	67,320	1.2
Norwegian Air Shuttle	--	--	--	--	8,120	0.2	45,944	0.9	58,181	1.0
Mesa Airlines ⁽⁴⁾	25,884	0.5	69,949	1.4	49,843	1.0	51,555	1.0	48,992	0.8
Compass Airlines ⁽⁵⁾	--	--	--	--	--	--	--	--	40,215	0.7
Azores Airlines ⁽⁶⁾	2,671	0.1	--	--	2,767	0.1	2,739	0.1	700	0.0
United Airlines ⁽⁷⁾	66,384	1.4	--	--	--	--	--	--	--	--
Other	980	0.0	10,787	0.2	6,581	0.1	1,050	0.0	2,962	0.0
Total	4,825,802	100.0%	4,973,107	100.0%	4,949,628	100.0%	5,374,187	100.0%	5,812,058	100.0%

⁽¹⁾ Horizon Air and Alaska Airlines are wholly owned subsidiaries of Alaska Air Group Inc. and operate under separate FAA operating certificates.

⁽²⁾ SkyWest Airlines provides regional service for Delta Air Lines, Alaska and American Airlines (previously US Airways).

⁽³⁾ US Airways merged with American Airlines in Fiscal Year 2016.

⁽⁴⁾ Mesa Airlines provides regional service for American Airlines (previously US Airways).

⁽⁵⁾ Compass Airlines provides regional service for Delta Air Lines.

⁽⁶⁾ Previously known as SATA International.

⁽⁷⁾ United ceased scheduled service at the Airport in June 2012.

**TABLE 7
PORT OF OAKLAND
OAKLAND INTERNATIONAL AIRPORT
HISTORICAL LANDED WEIGHT BY AIR CARRIER
FISCAL YEARS 2012 THROUGH 2016
(000 LBS)**

<u>Airline</u>	2012		2013 ⁽⁹⁾		2014 ⁽⁹⁾		2015		2016	
	Landed Weight	% Share	Landed Weight	% Share	Landed Weight	% Share	Landed Weight	% Share	Landed Weight	% Share
Southwest Airlines	4,389,851	50.4%	4,314,686	49.1%	4,182,229	47.6%	4,329,785	46.9%	4,606,226	46.8%
FedEx ⁽¹⁾	2,139,116	24.5	2,191,379	25.0	2,329,691	26.5	2,430,825	26.3	2,557,512	26.0
UPS ⁽¹⁾	482,077	5.5	487,067	5.5	488,736	5.6	534,000	5.8	568,061	5.8
Alaska Airlines ⁽²⁾	324,419	3.7	407,879	4.6	344,146	3.9	355,748	3.9	327,960	3.3
Hawaiian Airlines	162,630	1.9	194,800	2.2	227,427	2.6	279,440	3.0	317,039	3.2
Spirit Airlines	103,957	1.2	109,559	1.2	138,753	1.6	217,461	2.4	297,506	3.0
JetBlue Airways	271,883	3.1	273,873	3.1	254,677	2.9	223,393	2.4	215,146	2.2
Delta Air Lines	96,426	1.1	146,798	1.7	176,997	2.0	159,476	1.7	213,468	2.2
Volaris	93,959	1.1	78,784	0.9	77,673	0.9	95,136	1.0	125,956	1.3
SkyWest Airlines ⁽⁴⁾	146,301	1.7	135,489	1.5	160,242	1.8	174,326	1.9	101,082	1.0
Allegiant Air	84,936	1.0	142,960	1.6	94,400	1.1	107,711	1.2	96,144	1.0
Norwegian Air Shuttle	--	--	--	--	12,160	0.1	74,566	0.8	81,860	0.8
Horizon Air ⁽²⁾	105,723	1.2	86,073	1.0	70,086	0.8	62,553	0.7	63,911	0.6
Mesa Airlines ⁽⁷⁾	29,916	0.3	74,765	0.9	55,654	0.6	59,444	0.6	59,389	0.6
Other all-cargo carriers	13,677	0.2	13,143	0.1	14,554	0.0	13,998	0.2	48,117	0.5
Compass Airlines ⁽⁵⁾	--	--	--	--	--	--	--	--	51,467	0.5
Other passenger carriers ⁽⁸⁾	13,729	0.2	21,669	0.3	23,017	0.3	10,384	0.1	9,096	0.1
United Airlines ⁽⁶⁾	87,083	1.0	1,572	0.0	3,610	0.0	--	--	--	--
US Airways ⁽³⁾	166,132	1.9	101,923	1.2	124,954	1.4	97,613	1.1	--	--
Airport Total	8,711,815	100.0%	8,782,419	100.0%	8,779,007	100.0%	9,225,859	100.0%	9,844,415	100.0%

⁽¹⁾ FedEx and UPS are all-cargo carriers.

⁽²⁾ Horizon Air and Alaska Airlines are wholly owned subsidiaries of Alaska Air Group Inc. and operate under separate FAA operating certificates.

⁽³⁾ US Airways merged with American Airlines in Fiscal Year 2016.

⁽⁴⁾ SkyWest Airlines provides regional service for Delta Air Lines, Alaska and American Airlines (previously US Airways).

⁽⁵⁾ Compass Airlines provides regional service for Delta Air Lines.

⁽⁶⁾ United Airlines ceased scheduled service at the Airport in June 2012, however, charter flights landed at the Airport during 2013 and 2014.

⁽⁷⁾ Mesa Airlines provides regional service for American Airlines (previously US Airways).

⁽⁸⁾ Consists of seasonal, charter and unscheduled itinerant airline activity.

⁽⁹⁾ Total landed weight in FY 2013 and 2014 differs from the Port's Comprehensive Annual Financial Report, which includes adjustments for aircraft configurations for billing purposes.

Air Cargo Service. Scheduled all-cargo operators at the Airport include Federal Express Corporation (“FedEx”), United Parcel Service (“UPS”) and West Air. Passenger airlines also carry cargo. Air cargo volume, which includes both airfreight and air mail, declined from Fiscal Year 2007 to Fiscal Year 2016 at an annual compound rate of 2.3% due to the economic recession which followed 2007. However, cargo volume increased at a compound annual rate of 1.9% from 2012 through 2016. FedEx uses the Airport as one of its seven main hubs in the United States for air cargo operations and handled approximately 80% of the Airport’s Fiscal Year 2016 air cargo based on tonnage. All-cargo carriers make payments to the Port under their leases with the Port and as described under “—Airline Agreements and Rate Setting” and “—Major Sources of Airport Operating Revenues.”

Table 8 sets forth historical information regarding air cargo volumes at the Airport, including both airfreight and air mail carried by all-cargo carriers and by passenger airlines:

TABLE 8⁽¹⁾
PORT OF OAKLAND
OAKLAND INTERNATIONAL AIRPORT
AIR CARGO VOLUMES
FISCAL YEARS 2007 THROUGH 2016

Fiscal Year	Tons	% Growth Rate
2007	735,899	(1.0)
2008	726,220	(1.3)
2009	606,207	(16.5)
2010	539,622	(11.0)
2011	562,302	4.2
2012	552,194	(1.8)
2013	543,570	(1.6)
2014	573,728	5.5
2015	594,168	3.6
2016	595,186	0.2
<u>Compound Annual Growth Rate</u>		
2007-2016		(2.3)
2012-2016		1.9

⁽¹⁾ Includes both airfreight and airmail by tonnage (short tons) carried by both all-cargo carriers and passenger airlines.

Competition. The San Francisco Bay Area is served by three commercial airports – OAK, SFO and SJC. According to the FAA Passenger Boarding (Enplanement) and All-Cargo Data for U.S. Airports, the three Bay Area airports together served approximately 36.5 million enplaned passengers in Fiscal Year 2016. The Airport’s predominately origin-destination nature means that activity levels at the Airport are closely linked to the underlying economic strength of the geographic area served by the Airport. The Airport primarily serves the East Bay counties of Alameda and Contra Costa (collectively, approximately 62% of the Airport’s enplanements) and also serves the City and County of San Francisco (approximately 6% of the Airport’s enplanements), and the North Bay Counties of Marin, Sonoma, Napa and Solano (collectively approximately 16% of the Airport’s enplanements). All of the above figures reflect Airport enplanements for the prior 12 months ending April 30, 2017. See APPENDIX F—“ECONOMIC AND DEMOGRAPHIC INFORMATION.”

The Airport’s high percentage of origin-destination passengers does not insulate it from competition from other Bay Area airports. The three Bay Area airports serve overlapping markets, and

passengers consider more than one Bay Area airport in deciding which to use for their trips. A passenger’s airport selection of a Bay Area airport depends on various factors, including but not limited to availability of flights, airfare, proximity of passengers’ residence to the airport, airport accessibility and overall reliability. In addition, airlines may shift their operations among the Bay Area airports based on factors such as industry competition, facility and operational costs, facility and equipment capacity, and market conditions. The corporate and general aviation uses compete with general aviation activities at airports in Concord, Hayward, San Francisco, Livermore, San Carlos, Palo Alto and San Jose. See “INVESTOR CONSIDERATIONS—Uncertainties of the Aviation Industry,” “—Competitive Considerations at the Airport” and APPENDIX F—“ECONOMIC AND DEMOGRAPHIC INFORMATION.”

The table below shows traffic share for the three Bay Area Airports for Fiscal Years 2012 through 2016.

**TABLE 9⁽¹⁾
BAY AREA
TRAFFIC SHARE
FISCAL YEARS 2012 THROUGH 2016**

Fiscal Year	OAK	SFO	SJC	Total Bay Area Enplanement	Annual % Growth of Bay Area Enplanements
2012	15.9%	70.5%	13.6%	30,370,229	--
2013	15.8%	70.8%	13.5%	31,481,282	3.7%
2014	15.2%	70.8%	13.9%	32,462,323	3.1%
2015	15.7%	70.3%	13.9%	34,162,787	5.2%
2016	15.9%	70.2%	13.9%	36,521,273	6.9%

⁽¹⁾ Source: OAK: Port of Oakland
SFO: San Francisco International Airport Financial Statements, FY 2016, FY 2015, FY 2014
SJC: Comprehensive Annual Financial Report, FY 2016

Airline Agreements and Rate Setting.

FAA Requirements. Federal statutes and FAA regulations require that an airport maintain a rate structure that is as “self-sustaining” as possible. Various federal statutes also require that the Airline Rates and Charges assessed by an airport operator for the use of its facilities by airlines and other aeronautical users be “reasonable” and not “unjustly discriminatory” and authorize the Secretary of Transportation to review Airline Rates and Charges complaints brought by air carriers. No assurance can be given that the applicable statutory standards will remain the same or that FAA regulations or policies will not be modified or replaced in the future. The impact on the Port of such a modification or replacement cannot be predicted. Currently, there is no dispute between the Port and any of the airlines serving the Airport over existing Airline Rates and Charges, but no assurance can be given that the airlines will not challenge the Port’s rate-setting methods in the future.

Agreements with the Airlines. All commercial air carriers, both passenger and cargo, currently providing scheduled service to the Airport operate under separate Airline Operating Agreements with the Port, all of which expire on September 30, 2021. The Airline Operating Agreement with any airline may be canceled by either the airline or the Port upon 30 days’ written notice. Each air carrier that is party to an Airline Operating Agreement and occupies space in the Airport terminals is also party to a Space/Use Permit with the Port, which expires on September 30, 2021. The Space/Use Permit may also be canceled by either the airline or the Port upon 30 days’ written notice. The Airline Operating Agreement and the Space/Use Permit together are referred to herein as the “Airline Agreements.” The Airline Agreements do

not require the Port to obtain approval of any airlines in order to undertake capital projects or to incur debt. The Airline Agreements require the airlines to pay landing fees, terminal space rentals (for air carriers occupying space in the terminals) and other charges for their use of the Airport's facilities in accordance with the Board's rate-setting ordinance. The Airline Agreements also require the airlines to collect PFCs from their passengers on behalf of the Port. Airline Rates and Charges generally are established annually on a Fiscal Year basis in accordance with the Board's rate-setting ordinance as described further below.

Cost Centers. The Airline Agreements and the rate-setting ordinance divides the Airport into several cost centers. The passenger terminal areas (terminal), the airfield, and contract fueling activities are airline-supported cost centers based on the total airline requirement for each airline supported cost center. For example, the airlines are required to pay a landing fee (based on aircraft landed weight) for use of the Airport's airfield areas and to pay terminal rentals (based on square feet leased, operations or passenger volume) for use of the Airport's passenger terminal space, including ticketing counters, hold rooms, offices, baggage claim areas, and baggage make-up areas. The costs for contract fueling establishes the total annual requirement, which is collected monthly. The passenger airlines have no responsibility for the Airport's other cost centers (such as Ground Access, Cargo, Leased Areas and others).

Rate Setting. Rates for the terminal and the airfield, the airline-supported cost centers described above, are set annually by the Board at the beginning of each Fiscal Year based on budgeted expenses in the upcoming Fiscal Year; however, rates may be adjusted more frequently. The Port could revise or amend the ordinance and change its rate-setting policies in the future.

To determine rates, the Port summarizes the direct and indirect expenses allocable to each of the airline-supported cost centers for the Fiscal Year. The following are included in the calculation of each cost center requirement: (i) operating and maintenance expenses, including surpluses and/or deficits from prior years; (ii) to the extent the proceeds of any Senior Lien Bonds, Intermediate Lien Bonds or CP Notes were spent on such facilities, an allocated capital cost equal to 1.25 times debt service on the applicable Senior Lien Bonds and 1.10 times debt service on the applicable Intermediate Lien Bonds and CP Notes; and (iii) an amortization charge for the Port's internally-generated capital invested in the Airport with an interest component. Airfield rates, or landing fees, are derived after subtracting airfield revenues from estimated airfield requirement.

Prior to FY2018, the terminal requirement was determined after subtracting concession and other general terminal revenues (including certain car rental revenues) from the terminal expenses. In FY2018, the Port revised the calculation by establishing the airline terminal requirement based on the airlines' proportionate share of the expenses attributable to airlines' leased space.

Any air carrier using the Airport is required to pay Airline Rates and Charges in accordance with the Board's Airline Rates and Charges ordinance. A surcharge, set forth by the same Rates and Charges ordinance, typically applies to air carriers that are not party to an Airline Operating Agreement.

Major Sources of Airport Operating Revenues. In Fiscal Year 2016, the Airport generated total operating revenues of approximately \$173.1 million, derived from the sources shown in Table 10.

**TABLE 10
PORT OF OAKLAND
OAKLAND INTERNATIONAL AIRPORT
CATEGORIES OF OPERATING REVENUE
FISCAL YEAR 2016**

Revenue Description	Amount
Airline terminal rental	\$ 41,719,055
Airline landing fees (excludes cargo airlines)	<u>19,876,248</u>
Total airline revenues	61,595,303
Concession ⁽¹⁾	23,408,308
Parking & ground access	36,826,447
Lease rentals ⁽²⁾	29,835,813
Landing fees-cargo airlines	9,333,015
Aviation fueling	2,335,463
Utility sales	4,257,290
Other ⁽³⁾	<u>5,475,468</u>
Total revenues	\$173,067,107

⁽¹⁾ Includes in-terminal concessions and rental car concession payments.

⁽²⁾ Includes rental payments made under leases by rental car companies, air cargo carriers and others.

⁽³⁾ Includes non-airline terminal revenues, miscellaneous revenues and other airfield revenue.

The single largest source of Aviation-related revenues in Fiscal Year 2016 was from Southwest Airlines, which was responsible for approximately 23.5% of the Aviation Division's total operating revenues in Fiscal Year 2016. The top ten sources of Aviation Division operating revenue in Fiscal Year 2016 are presented in the following table.

**TABLE 11
PORT OF OAKLAND
OAKLAND INTERNATIONAL AIRPORT
TOP TEN SOURCES OF AVIATION OPERATING REVENUE
FISCAL YEAR 2016**

Rank	Source	Revenue ⁽¹⁾
1	Southwest Airlines	\$40,729,490
2	On-Airport public parking ⁽²⁾	31,338,593
3	FedEx	17,842,582
4	Signature Flight Support Acquisition	6,135,901
5	Avis Budget Group Inc.	5,989,454
6	Hertz Corporation	4,941,673
7	Alaska Airlines	4,484,855
8	HMS Host Corp.	4,264,794
9	United Parcel Service	3,752,738
10	DTG Operations, Inc.	3,062,943

⁽¹⁾ Does not include utilities revenue received from the tenants.

⁽²⁾ Operated by LAZ California, LLC.

Airlines. Approximately \$61.6 million, or 35.6%, of the Aviation Division's Fiscal Year 2016 operating revenues were derived from passenger airline payments of landing fees and terminal space. In addition to paying landing fees and terminal rentals, the airlines are responsible for collecting PFCs from

passengers and remitting them to the Port. PFCs are used to finance eligible airport projects approved by the FAA and are discussed under “CAPITAL PLANNING AND CAPITAL PROJECTS—Funding for Projects in the CIP—Project Funding Sources—Passenger Facility Charges.” PFCs are not included as operating revenues of the Aviation Division, and are not Pledged Revenues as described under the Senior Lien Master Trust Indenture and the Intermediate Lien Master Trust Indenture.

The Oakland Fuel Facilities Corporation (“OFFC”) is a consortium of a majority of commercial airlines at the Airport that manages nearly all fueling facilities (e.g., tank farm, hydrant fuel system, fueling vehicles) and dispenses contract jet fuel at the Airport. The Port entered into a 20-year lease with OFFC, which expires in 2028. Under its lease, OFFC pays monthly rent to the Port based on annual expenses attributable to the OFFC.

Parking and Ground Access. Parking and ground access revenues were approximately \$36.8 million or 21.3% of the Aviation Division’s operating revenues in Fiscal Year 2016. Approximately \$31.3 million of these revenues were from on-Airport public parking. Because there remains a high supply of off-Airport parking available compared to on-Airport parking, the Airport’s ability to increase parking rates and revenue is limited. However, the Airport increased short-term and 24-hour public parking rates in most lots in March 2016, for the first time since 2005.

In addition, the Airport received \$5.5 million in ground transportation fees in Fiscal Year 2016, which was a 35% increase compared to Fiscal Year 2015. Ground transportation fees include primarily trip fees from taxis, hotel shuttles, transportation network companies (i.e., Uber and Lyft) (“TNCs”) and other transportation operators who bring passengers to and from the Airport. The increase in revenues in Fiscal Year 2016 was driven by the start of TNC operations at the Airport in summer 2015. Since that time, TNC volume went from none to more than 10% of originating enplaned passengers. While overall ground transportation revenues increased in FY 2016, the number of trips taken using other Airport access modes such as auto, rental car, taxi, shuttle van and BART has declined and the Port cannot predict the impact of TNCs to future Port revenues, including parking and ground transportation fees.

Rental Car Payments and Customer Facility Charges. Four on-Airport rental car companies (representing 11 company brands), operate at the Airport under space use permits for non-exclusive rental car concessions. The agreements provide for payments to the Port of rent at the greater of approximately \$13 million or 10% of the companies’ aggregate gross receipts from vehicle rentals at the Airport. In Fiscal Year 2016, rental car concessions totaled \$14.7 million from these agreements. Each agreement expires on June 30, 2017. The Port anticipates a short-term extension of the existing agreements, and then entering into new agreements with each of the four existing on-Airport rental car companies later in 2017. The new agreements are anticipated to expire on June 30, 2022, with two mutual options to extend for two additional five year periods up to June 30, 2032. The new agreements are expected to provide for payments to the Port of rent at the greater of approximately \$11.3 million or 10% of the companies’ aggregate gross receipts from vehicle rentals at the Airport.

The Port also received approximately \$5.1 million in Fiscal Year 2016 for the lease to the rental car companies of ready-return lots (approximately 13.5 acres of exclusive use and common areas); rental counter facilities owned by the Port; additional land area for vehicle storage, overflow and employee parking; and rental car maintenance facilities. These lease payments are included under “Lease Rentals” in Table 10. They are also subject to periodic adjustment based on the Consumer Price Index.

In addition, on-Airport rental car companies must collect a \$10 per transaction customer facility charge (“CFC”) from the rental customers, and off-Airport rental car companies that use the common transportation system must collect an \$8 per transaction CFC. CFCs remitted to the Port totaled approximately \$5.9 million in Fiscal Year 2016. Under State law, the use of CFCs is limited to financing

the consolidated airport car rental facilities and the common use transportation systems that move passengers between airport terminals and those consolidated car rental facilities. CFCs remitted to the Port are primarily used to reimburse costs incurred for operating a common busing system between the terminals and the consolidated rental car facility located at the Airport. CFCs are not included as operating revenues of the Aviation Division, and are not included in Pledged Revenues as described under the Senior Lien Master Trust Indenture and the Intermediate Lien Master Trust Indenture. The Port is engaged in discussions to extend the CFC authorization beyond December 31, 2018, which is the date the current authorization is scheduled to expire.

In-Terminal Concessions. In Fiscal Year 2016, in-terminal concession revenues generated approximately \$8.8 million. In-terminal concessions consist of food and beverage venues, retail stores, duty free outlets, in-terminal advertising, and ATMs. The Port has contracted with two parties to provide the majority of the Airport's in-terminal concessions: Host International, Inc. ("Host"), which covers food and beverage operations; and Dufry, AG ("Dufry"), which provides retail store and duty free outlets. In addition to the Host and Dufry contracts, the Port has several other independent concessions, including two restaurants, a retail wine bar, automated specialty retail, a common use lounge, in-terminal advertising, and ATMs.

All of the in-terminal concessionaires, including Host and Dufry, pay the Port the greater of a minimum annual guaranty ("MAG") or a percentage of gross sales. MAGs are evaluated and adjusted each year based on 85% of the prior year's actual sales revenue and cannot decline. For Fiscal Year 2016, MAGS for in-terminal concessions totaled \$6.7 million.

On May 31, 2018, the Host contract, as well as two independent restaurant contracts, and the in-terminal advertising contract expire. Port staff has commenced the planning process to solicit requests for proposals for in-terminal food and beverage concessions, as well as in-terminal advertising.

Non-Diversion of Airport Revenues; Grandfathered Airport Sponsor. In general, a U.S. airport operator that receives any federal assistance through the Airport Improvement Program ("AIP"), as the Port does, is required to give the U.S. Department of Transportation ("DOT") assurances that all airport-generated revenues will be expended only for the capital and operating costs of the airport, the local airport system, or other local facilities owned and operated by the airport sponsor that are directly and substantially related to the air transportation of passengers or cargo. This rule is established by federal statute and further documented in a policy statement promulgated by the DOT on February 16, 1999 (the "Revenue Retention Policy"). However, the applicable statutes and the Revenue Retention Policy also provide that the revenues from any of the airport owner and operator's facilities may be used to support the general debt obligations or other facilities of the airport owner or operator if such uses are (1) provided for in a law enacted on or before September 2, 1982 that controls financing by the airport owner or operator or (2) required under a covenant or an assurance in a debt obligation issued by the Airport sponsor on or before September 2, 1982. Airport sponsors that are covered by this provision are called "grandfathered" airport sponsors. The FAA has confirmed that the Port is a grandfathered airport sponsor and may use Airport revenues for general debt obligations or for other Port facilities. The Port has not used Airport revenues for other Port facilities, and does not currently have any plans to do so.

Other Airport Information

Security. The Transportation Security Administration ("TSA"), which was created by the Federal Aviation and Transportation Security Act (the "Aviation Security Act"), regulates airport and airline security activities. Among other things, the Aviation Security Act requires (i) explosive detection screening be conducted for all checked baggage; (ii) screening of individuals, goods, property, vehicles and other

equipment entering secured areas of airports; and (iii) security screeners be federal employees, United States citizens and satisfy other specified requirements.

The Airport has prepared and follows its TSA-approved Airport Security Program as required by applicable federal regulations, which establish how the Airport is required to comply with TSA regulations and security requirements. The Port has an Aviation Security Department that oversees compliance with TSA security regulations, law enforcement services to the Airport (provided by the Alameda County Sheriff's Office under contract to the Port), security technologies (e.g., access control and closed circuit television), and background checks and identity document / access media issuance.

Information Concerning Airlines. Each airline serving the Airport (or its respective parent corporation) is required to file periodic reports of financial and operating statistics with the DOT. Such reports can be inspected at the following location: Bureau of Transportation Statistics, Research and Innovative Technology Administration, U.S. Department of Transportation, 1200 New Jersey Ave., S.E., Room E34-314, Washington, D.C. 20590. Copies of such reports can be obtained from the DOT at prescribed rates and by accessing the Bureau of Transportation Statistics website at www.bts.gov. In addition, those airlines (or their respective parent corporations) serving the Airport that have sold debt or equity securities to the public in the United States are subject to the reporting requirements of the Securities Exchange Act of 1934, as amended, and accordingly file reports and other information, including financial information, with the Securities and Exchange Commission (the "SEC"). Such reports and information can be inspected in the Public Reference Room of the SEC at 100 F Street NE, Washington, D.C. 20549. Copies of such reports and statements can be obtained from the SEC's Public Reference Room at prescribed rates and by accessing the SEC's web site at www.sec.gov. Debt securities or other obligations of various airlines serving the Airport may also have been issued ratings by one or more credit rating agencies. For a discussion of the particular sensitivities of the aviation industry, see "INVESTOR CONSIDERATIONS—Uncertainties of the Aviation Industry" and "—Tenant/Customer Bankruptcy."

Airlines owned by foreign governments or foreign corporations operating airlines (unless such foreign airlines have American Depositary Receipts registered on a national exchange) are not required to file information with the SEC. Airlines owned by foreign governments or foreign corporations operating airlines, file limited information only with the DOT.

The Port cannot and does not assume any responsibility for the accuracy or completeness of any information contained or referred to herein regarding the business operations or financial condition of any of the airlines serving the Airport, and no such information is incorporated by reference in this Official Statement.

Maritime

Overview. The Seaport is among the top ten busiest container ports in the United States based on the volume ("throughput") of cargo handled, which is measured in twenty-foot equivalent units ("TEUs"), according to the American Association of Port Authorities North America Container Traffic, 2015 Port Ranking by TEUs survey. The Seaport serves as the principal Northern California ocean gateway for international containerized cargo shipments (particularly to and from the Pacific Basin). The Seaport is one of several major gateways for such shipments on the West Coast of North America. The other major gateways are the Port of Los Angeles, the Port of Long Beach, the Northwest Seaport Alliance (Ports of Tacoma/Seattle) and the Ports of Vancouver and Prince Rupert in British Columbia, Canada.

Approximately 85% of the total cargo handled at the Seaport serves a large local and regional population ("local cargo"). The Seaport competes with other ports primarily for discretionary intermodal rail cargo, which is cargo that originates from or is bound for inland destinations and that, therefore, could

be shipped through any one of several ports. Currently, and in recent years, the Seaport's discretionary container traffic represents approximately 15% of the total cargo handled at the Seaport.

In Fiscal Year 2016, the Port's Maritime Division generated approximately 44% of the Port's total operating revenues (\$148.8 million). The Port generates revenues from the Seaport by leasing its maritime facilities to marine terminal operators and other maritime-related businesses. As a result, the Maritime Division's operating revenues are derived primarily from contractual payments made by tenants at the Seaport under a variety of agreements that vary in length and type.

Approximately 75.9% of the Maritime Division's operating revenue in Fiscal Year 2016 was derived from marine terminal revenues. Approximately 3.1% of the Maritime Division's operating revenues in Fiscal Year 2016 were derived from variable revenue under long-term agreements with terminal operators, primarily variable revenue for cargo activity above minimum thresholds. Approximately 17.3% of the Maritime Division's operating revenue was derived from other ancillary support services that are typically under short-term agreements. The balance of Maritime Division's operating revenues were derived from utility sales.

In general, there is not a direct correlation between cargo activity at the Seaport and the Maritime Division's revenues because a large percentage of such revenues come from MAGs and other annual fixed payments, which, except in limited circumstances, are required to be paid regardless of cargo activity levels. However, cargo activity levels do affect the long-term demand for the Port's facilities and the financial condition of the Port's marine terminal operators and other tenants, and therefore of the Port. In addition, shifts in activity from one terminal to another can affect variable revenue, either negatively or positively, even if overall cargo activity levels at the Seaport in aggregate are unchanged. For example, if cargo moved from a terminal where the cargo throughput level generates additional variable revenue to a terminal where the throughput level is below the threshold(s) that would generate variable revenue, the total cargo throughput at the Seaport would be unchanged but the revenues to the Port may decrease.

The agreements under which the Port leases its maritime facilities set forth various terms including the basis on which fixed and variable revenues are calculated and paid to the Port. These agreements vary in length, and are subject to change upon expiration or renegotiation of a current lease prior to its expiration.

For more information about the Maritime Division's revenues, see “—Major Sources of Maritime Operating Revenue,” and “—Port Operating and Use Agreements and Port Tariffs” below. For additional information about factors that may affect the Maritime Division, see “—Activity at the Seaport—Competition,” “INVESTOR CONSIDERATIONS—Uncertainties of the Maritime Industry,” and “—Competitive Considerations at the Seaport.” For certain economic and demographic information related to the Bay Area see APPENDIX F—“ECONOMIC AND DEMOGRAPHIC INFORMATION.”

Maritime Facilities. The Port has approximately 1,300 acres of Seaport facilities, which consist of marine (container) terminal areas; rail facilities for intermodal and bulk cargo handling; areas for truck staging, container storage and maritime support services; and a portion of the former Oakland Army Base (“OAB”) property, which the Port anticipates developing as a logistics center described below under “—Former Oakland Army Base.” These facilities are supported by a transportation network, which includes additional privately owned intermodal rail facilities, an extensive roadway system including transcontinental highways (Interstate 80, U.S.50, Interstate 5, and U.S.101), and a Federal navigation channel with water depth of minus 50 feet mean lower low water (“mllw”) that can accommodate the latest generation of container vessels. The map on the next page shows the current layout of the Seaport facilities, which are described in further detail below.

SEAPORT FACILITIES



Marine Terminals. The Seaport has six marine terminals, four of which are currently handling routine vessel operations, and two of which are being used for ancillary businesses following the closure of container operations in 2013 and 2016. See “—Recent Seaport Events.”

Although the map of the Seaport facilities shows 25 container terminal berths (identified by number), there are only 18 functional berths given the average size of vessels currently calling, and anticipated to call at, the Port. Of the 18 berths, 13 have water depth of minus 50 feet mllw and can accommodate container vessel capable with capacities of approximately 18,000 TEU. The remaining five berths have depths of minus 42 to minus 44 feet mllw. There are no current plans to deepen these five berths in the near to medium-term. Some upgrades to bollards and fenders on various terminal wharves are necessary to better accommodate the largest vessels in deployment, and funding for this work is included in the CIP. The terminals are equipped with a total of 33 cranes, of which 15 are super post Panamax, 15 are post-Panamax, and 3 are Panamax.

The **Oakland International Container Terminal** (“OICT”) comprises 271 land acres at Berths 55-59. The terminal is equipped with ten super post-Panamax container cranes owned by the Port. The tenant is in the process of raising one crane and expects to raise three cranes in the immediate future. The OICT is operated by SSA Terminals (Oakland), LLC (“SSAT Oakland”).

The recently expanded **TraPac Terminal** comprises 123 land acres at Berths 25-32, and a portion of Berth 33. The terminal is equipped with seven container cranes, of which five are post-Panamax and two are super post-Panamax. Three of the five post-Panamax cranes are owned by and were recently raised by the tenant. The other cranes are owned by the Port. The TraPac terminal is leased and operated by TraPac, LLC (“TraPac”).

The **Ben E. Nutter Terminal** (the “Nutter Terminal”) comprises approximately 75 land acres at Berths 35-38. The terminal is equipped with four container cranes, of which three are super post-Panamax (owned by the tenant) and one is post-Panamax (owned by the Port). Approximately 15 acres of the 75-acre Nutter Terminal are part of the Berth 34 marine terminal area, leased under a different agreement with different compensation terms; however, the agreement is co-terminus with the terminal lease (i.e., the lease for the remaining 60 acres). The Nutter Terminal is leased and operated by Everport Terminal Services Inc. (“Everport”), a wholly-owned subsidiary of Evergreen Marine Corporation (Taiwan), Ltd.

The **Matson Terminal** comprises 80 land acres at Berths 60-63. The terminal is equipped with four tenant-owned post-Panamax cranes. The Matson Terminal is leased and operated by SSA Terminals, LLC (“SSAT”). Collectively herein, SSAT and SSAT Oakland may be referred to as “SSAT.” The berths at this terminal are maintained at minus 42 feet mllw. There currently are no plans to deepen these berths given the size of vessels anticipated to call the terminal in the near to medium term.

The **Charles P. Howard Terminal** (the “Howard Terminal”) comprises 50 land acres at Berths 67-68, equipped with four container cranes owned by the Port, of which one is post-Panamax and three are Panamax. Marine terminal operations at the Howard Terminal ceased in 2014, and the terminal is currently being used for a variety of ancillary uses, such as truck staging, longshore training facilities, container storage, and occasional berthing of vessels that need temporary dockage. The berths at this terminal are maintained at minus 42 feet mllw. There currently are no plans to deepen these berths given the anticipated uses of the terminal in the near to medium-term. This facility plays an important role in the fluidity of trucking services at the Seaport, which helps ensure smooth terminal operations and minimize congestion.

The former **Outer Harbor Terminal** (“OHT”), which closed in 2016, comprised 210 land acres at Berths 20-26. Portions of the OHT are now incorporated into the expanded TraPac Terminal (described above), leaving approximately 150 acres and four post-Panamax cranes available for a future tenant. In the

interim, the available area is being used for logistics activities, including truck parking and container staging.

As noted above, TraPac and Everport lease portions of the land and water areas at the Berths 33 and 34 maritime terminal areas, respectively, but approximately 23 acres are unleased currently. In the medium to long term, the Port anticipates that these vacant areas will be incorporated into adjacent marine terminals. In the near term, the Port intends to continue leasing the available property to various tenants on a short-term basis as demand arises.

Rail Terminals. The two western transcontinental railroad companies, BNSF Railway Co. (“BNSF”) and Union Pacific Railroad (“UP”), provide rail shipping service from the Seaport to various points throughout the United States.

BNSF operates the 87-acre Oakland International Gateway (“OIG”) (also known as the Joint Intermodal Terminal), under lease from the Port. Following expiration of a long-term lease with BNSF in September 2014, the Port currently leases the OIG to BNSF on a month-to-month basis. The OIG has an estimated annual operating capacity of approximately 630,000 TEUs. The OIG was used at approximately 25% of its operational capacity in calendar year 2016.

The other intermodal rail terminal, Railport-Oakland, comprises approximately 110 acres of UP-owned and operated property adjacent to the Seaport. Railport-Oakland has an estimated annual capacity of approximately 857,000 TEUs. The estimated combined capacity of the railyards is about 1.5 million TEUs. UP is permitted to use the OIG to supplement the cargo capacity of its intermodal terminal.

While the OIG and Railport-Oakland have sufficient capacity for increased intermodal rail activity, the Port historically has lacked capacity to grow non-containerized rail shipments moving by other modes of transportation. To address this concern, the Port recently completed a new railyard at the former OAB, described below, that can accommodate transloading activity (i.e. the transfer of boxcars, hopper cars, and similar vehicles transferring between container ships and trains).

Former Oakland Army Base. Between 2003 and 2007, the OAB, a former military supply depot built during World War II and closed in 1993, was transferred to the City and the Port. The Port owns approximately 241 acres of the former OAB, of which approximately 185 acres are land (versus water). The City owns the remaining approximately 228 acres of the former OAB. The Port currently leases portions of its property to various maritime-related tenants. The City and the Port have completed a master plan to develop the former OAB into a state-of-the-art trade and logistics center, including a new intermodal rail terminal, rail served warehouses for maritime-related businesses, truck parking, and infrastructure improvements, including roadway and utility systems. The Port anticipates that this development will take ten years or more to complete. The Port’s first project within that development plan is a new railyard, completed in January 2017, that can accommodate transloading activity.

Further development of the former OAB, including additional intermodal rail capacity and logistics buildings, is anticipated to be phased based on market demand. The Port is negotiating with a developer to lease an approximate 27-acre site on which a new logistics facility would be built by the developer to serve as a distribution center for various Seaport-related cargo. The Port anticipates executing a lease for the 27-acre site during Fiscal Year 2018. The Port also expects to continue to rent portions of the OAB property to various maritime-related businesses prior to and during the construction of the anticipated development plan. See “CAPITAL PLANNING AND CAPITAL PROJECTS—Projects in the CIP—Maritime Projects in the CIP.”

Roundhouse. The Port owns 39 acres located next to the Matson Terminal, referred to as the “Roundhouse” property. This area is paved and available for maritime-related uses. The property is currently leased to maritime tenants as needed on a short- to medium-term basis, but the Port anticipates that in the long-term it may be consolidated with adjacent marine terminals.

Maritime Support Center. The Port owns approximately 75 acres of land adjacent to the OIG, known as the Maritime Support Center (“MSC”), which houses a maintenance yard for the Port’s facilities department, as well as various maritime logistics and ancillary tenants on about 40 acres. In November 2015, the Port entered into a long-term lease with Cool Port Oakland, LLC (“Cool Port”) for the development of a new, 283,000 square foot rail-served, temperature controlled logistics operation on approximately 25 acres of land within the MSC. Cool Port is expected to increase the import and export of perishable foods and other commodities through Northern California. Construction started in May 2017.

Recent Seaport Events.

Outer Harbor Terminal Closure. In 2010, Outer Harbor Terminal, LLC (“OHT”; formerly known as Ports America Outer Harbor Terminal, LLC) began occupying Berths 20-24 marine terminal under a 50-year Concession and Lease, and it began leasing the adjacent Berths 25-26 marine terminal, by assuming the approximately 10-year lease of the previous operator. OHT was operating the two terminals as one combined 210-acre facility. In February 2016, OHT filed for bankruptcy protection and in the Spring of 2016, ceased terminal operations. While it operated at the Port, OHT paid the Port approximately \$36 million of annual fixed rent. OHT had not paid any variable rent based on cargo throughput at the time of closure; however, OHT did pay additional rent to the Port for the rental of certain cranes when needed.

In the immediate term, the effect of the loss of \$36 million of annual rent has been largely mitigated by the Port’s ability to retain the cargo previously handled by OHT, which has resulted in replacement revenue from displaced cargo being re-routed by ocean carriers to three other marine terminals at the Port, primarily to one terminal operator that manages the largest marine terminal at the Port. The displaced OHT cargo resulted in replacement revenue to the Port because the lease agreements for other marine terminals provide for both fixed and variable rent, and the terminal activity levels at the time of the OHT closure were already at or very near the activity thresholds for payment of variable rent.

The Port also leased vacant properties at two of the three marine terminals to help accommodate the additional cargo through their facilities, and the Port leased portions of the vacated OHT facility to various tenants for ancillary uses such as truck parking and container transloading. The OHT closure resulted in improved capacity utilization at the remaining marine terminals, which the Port believes has enhanced these operators’ interest in extending their lease terms and making investments in their facilities. For example, TraPac recently entered into a new long-term lease through June 2030, with both fixed and variable rent provisions, that incorporates approximately 50 acres of the Berths 24-26 portion of the former OHT facility.

Hanjin Shipping Co. Bankruptcy. On August 31, 2016, Hanjin Shipping Co. (“Hanjin”), one of the ocean carriers calling on the Seaport, filed for bankruptcy protection. At the time of the Hanjin bankruptcy filing, the Port had no leasehold interests with Hanjin or with any of its subsidiaries. The majority of Hanjin’s containers were being handled at the OICT (Berths 55-59) by SSAT. After the bankruptcy filing, Hanjin loaded containers continued to come to the Seaport, but in some cases were delayed because Hanjin vessel calls were delayed or cancelled. Over time, Hanjin’s customers have begun shipping their goods on other ocean carriers that call on the Seaport. Overall, the Hanjin bankruptcy did not have a material impact on Seaport operations, cargo throughput, or revenues.

Activity at the Seaport.

Major Ocean Carriers Serving the Port. Major ocean carriers (shipping lines) currently serving the Port include: ANL, APL, CMA CGM, COSCO, Evergreen, Hamburg Sud, Hapag-Lloyd, Hyundai, K-Line, Maersk, Matson Navigation, Mediterranean Shipping, Mitsui, NYK, OOCL, Pasha, Pacific International, Polynesia Line, SM Line, U.S. Lines, United Arab Shipping, Wan Hai, Yang Ming and Zim. Many of the ocean carriers calling at the Seaport currently participate in one or more strategic alliances with other shipping lines. Membership in alliances changes from time to time. Should a change in alliance membership result in a transfer of cargo from one terminal to another, revenues received by the Port could be affected because compensation terms vary across marine terminal agreements.

Containerized Cargo Activity. The Seaport handles a diverse range of containerized import and export cargo. In calendar year 2016, the Seaport handled approximately 2.37 million TEUs, of which 1.83 million were loaded (full) TEUs. During calendar year 2016, export (outbound) and import (inbound) cargo constituted 53.1% and 46.9%, respectively, of the total containerized cargo handled at the Port (full and empty TEUs).

According to information available from the American Association of Port Authorities and individual port websites, the Seaport has the highest percentage of export cargo (relative to its total throughput) on the North American West Coast because of its close proximity to various agricultural regions, including the California Central Valley (one of the most productive agricultural regions in the United States) and because it is generally the last port of call in California, which shortens the transit time to Asian markets. Principal exports moving through the Port are edible fruit and nuts, meat, iron and steel, beverages, oil seeds and oleaginous fruits, preparations of vegetables, cereals, wood and wood pulp. Principal imports are machinery, furniture and bedding, beverages, articles of iron and steel, glass and glassware, preparations of vegetable, plastic, wood and articles of wood, and coffee.

The Port's containerized cargo activity increased from approximately 1.78 million full TEUs in calendar year 2007 to approximately 1.83 million full TEUs in calendar year 2016, an annual compound growth rate of 0.3%. In calendar year 2016, containerized cargo represented more than 98.4% of the total cargo tonnage handled by the Port (the balance of tonnage was from a privately-owned metal recycling facility and vessel fueling operations or "bunkering"). Occasionally, breakbulk cargo (primarily automobiles and commercial vehicles) and liquid bulk cargo (primarily bunker fuels for carriers serving the Seaport) move through the Seaport. Dry bulk cargo (primarily scrap steel) is handled at a metals recycling facility on private land within the Port area.

For calendar year 2016, approximately 91% of the Seaport's trade was with international trading partners or regions and 9% was domestic. Pacific Rim countries continue to be the principal origination and destination points for cargo moving through the Port. Trade with Asia accounted for approximately 83% of the Port's international cargo tonnage and approximately 76% of the Port's total cargo tonnage in calendar year 2016. The Seaport's domestic trade consists primarily of traffic to/from Hawaii and other Pacific islands, including the U.S. territory of Guam and the Commonwealth of the Northern Marianas Islands.

The throughput and growth of containerized cargo, measured in both revenue tons and TEUs, through the Seaport for calendar years 2007 through 2016 are shown in Table 12 below. The activity for the first three months of calendar years 2016 and 2017 is also shown in Table 12. For discussion of factors effecting cargo activity at the Seaport, see "—Activity at the Seaport—Competition" and "INVESTOR CONSIDERATIONS—Uncertainties of the Maritime Industry" and "—Competitive Considerations at the Seaport."

TABLE 12
PORT OF OAKLAND
MARITIME DIVISION
CONTAINERIZED CARGO
CALENDAR YEARS 2007 THROUGH 2016⁽¹⁾
AND FIRST THREE MONTHS OF CALENDAR YEARS 2016 AND 2017
(000s)

<u>Calendar Year</u>	<u>Revenue Tons</u>	<u>Loaded (Full) TEUs</u>	<u>Total TEUs⁽²⁾</u>
2007	30,602	1,780	2,388
2008	29,362	1,707	2,234
2009	28,940	1,668	2,045
2010	30,934	1,758	2,330
2011	31,646	1,791	2,343
2012	31,532	1,778	2,344
2013	31,624	1,818	2,347
2014	31,573	1,815	2,394
2015	29,905	1,702	2,278
2016	32,980	1,832	2,370
<u>Compound Annual Growth Rate</u>			
2007-2016	0.8%	0.3%	(0.1%)
2012-2016	1.1%	0.8%	0.3%
<u>First Three Months of Calendar Years (January 1 – March 31)</u>			
2016	n/a	426	558
2017	n/a	440	571
Growth Rate		3.3%	2.3%

⁽¹⁾ Seaport cargo data is reported on a calendar year basis, compared to Airport data, which is reported on a Fiscal Year basis.

⁽²⁾ Includes loaded (full) and empty TEUs.

Competition. Because the Seaport is the only deep water port in Northern California, it is the primary port for cargo that serves the local and regional population (“local cargo”). While the Port does face some (relatively minimal) competition from other U.S. West Coast ports for local cargo, the Port faces much more competition for discretionary intermodal rail cargo. For this cargo, the Port primarily competes with other North American West Coast gateways, including the Southern California ports of Los Angeles and Long Beach, the Pacific Northwest Seaport Alliance (Ports of Seattle/Tacoma, Washington), the Canadian ports of Vancouver and Prince Rupert, and Manzanillo and Lazaro Cardenas on the Mexican West Coast. In addition, the Seaport competes with ports on the East Coast and Gulf Coast. Historically, competition with the East Coast and Gulf Coast ports has been constrained, in part, by the vessel size limitations of the Panama Canal. However, in June 2016, the Panama Canal expansion project, which allows larger ships to use the Canal became operational. The Port is monitoring the effect of the expanded canal on competition with East Coast and Gulf Coast ports, but does not anticipate diversion of cargo. The Seaport was the seventh busiest container port measured by cargo volume (measured as TEUs) in the United States in calendar year 2016, behind the Ports of Los Angeles, Long Beach, New York/New Jersey, Savannah, the Northwest Seaport Alliance (Ports of Seattle/Tacoma, Washington), and Hampton Roads (Norfolk, Virginia).

Various factors influence a seaport’s competitiveness with respect to attracting cargo, including but not limited to operational factors such as cost, efficiency, service reliability, and transit time. When choosing a port of call, ocean carriers also consider the quality of infrastructure, such as water depth, berth accommodations, cranes (both number and size), terminal size and efficiency, and transportation networks,

including intermodal service. See “INVESTOR CONSIDERATIONS—Uncertainties of the Maritime Industry” and “—Competitive Considerations at the Seaport.”

Major Sources of Maritime Operating Revenues. The Maritime Division generated total operating revenues of approximately \$148.7 million in Fiscal Year 2016. These revenues were derived from four categories as detailed in Table 13.

**TABLE 13
PORT OF OAKLAND
MARITIME DIVISION
CATEGORIES OF OPERATING REVENUE
FISCAL YEAR 2016**

<u>Revenue Sources Description</u>	<u>Amount</u>
Fixed revenue – marine terminals	\$ 108,362,292
Variable revenue – marine terminals	4,618,080
Fixed and variable revenue – other facilities	25,799,194
Utility sales	9,992,657
Total Revenues	\$ 148,772,223

In Fiscal Year 2016, approximately 72.8% of the Maritime Division’s operating revenue were derived from fixed revenue under marine terminal agreements. In the same year, three of the five active marine terminals handled cargo at levels that generated variable revenue for the Port, equal to approximately 3.1% of the Maritime Division’s operating revenue. In the near term, fixed revenue from marine terminals is expected to decrease as a percentage of total revenue from marine terminals due to the closure of OHT (see “—Recent Seaport Events—Outer Harbor Terminal Closure” above). However, it is expected that variable revenue from the marine terminals will increase as a percentage of total revenue, because cargo handled by OHT has been re-routed by ocean carriers to other marine terminals.

Table 14 sets forth the top ten individual sources of the Maritime Division’s operating revenue for Fiscal Year 2016 by alphabetical order. Of these ten revenue sources, the top two accounted for approximately 63% of the Maritime Division’s operating revenue.

**TABLE 14
PORT OF OAKLAND
MARITIME DIVISION
TOP TEN SOURCES OF MARITIME OPERATING REVENUE⁽¹⁾
FISCAL YEAR 2016**

- BNSF Railway Company
- Conglobal Industries
- Everport Terminal Services, Inc.
- Impact Transportation
- Outer Harbor Terminals, LLC⁽²⁾
- Pacific Coast Container, Inc.
- Shippers Transport Express, Inc.
- SSA Terminals, LLC and SSA Terminals (Oakland), LLC (combined)
- TraPac, LLC
- Truck Parking⁽³⁾

⁽¹⁾ Listing is alphabetical and does not necessarily reflect rank in terms of revenue.

⁽²⁾ Formerly known as Ports America Outer Harbor, LLC.

⁽³⁾ Operated by Ampco System Parking, Inc.

Port Operating and Use Agreements and Port Tariffs. Revenues from the operation and use of Seaport facilities are generated under property rental or operating agreements executed between the Port and its tenants. There are different forms of agreements depending on the type and term of a tenancy. Agreements for marine terminals and rail yards typically provide for both fixed and variable rent based on activity levels. Certain agreements for other types of uses may include variable rent based on gross or net revenue above a certain threshold. All agreements may be subject to change upon expiration, exercise of an option to extend, or renegotiation prior to expiration.

Marine Terminal Agreements. The majority of Maritime Division revenues are generated by the marine terminals, typically under a form of agreement known as a Non-Exclusive Preferential Assignment Agreement, or NEPAA. This form of agreement is unique to marine terminals; it assigns an entire maritime terminal to a specific ocean carrier or terminal operator for its use. These agreements tend to be long-term in nature, provide a simpler rate structure as compared to tariff rates, and reward higher levels of cargo throughput by providing discounted rates for activity above minimum thresholds for one or more types of cargo. See “—Port Tariffs” below. While allowing preferential assignees to operate and manage terminals for their primary use, NEPAAs are non-exclusive and the Port reserves the right to assign “secondary” use of the facilities. Compensation and related terms of the NEPAAs are adjusted from time to time either through negotiations or pursuant to the provisions of each agreement. The revenues received by the Port from these agreements consist of annual fixed rent or a MAG, and additional variable revenue from activity above the MAG. Except under limited circumstances including, but not limited to, various force majeure events and other occurrences specified in individual agreements, fixed or MAG revenue from NEPAAs is required to be paid regardless of activity levels.

Table 15 describes the Port’s agreements for the marine terminals actively handling cargo as of May 1, 2017. As shown in the table, the Port’s agreement with Everport is scheduled to expire in 2018. Although the Port expects the tenant to extend its agreement, no assurances can be provided that it will do so.

TABLE 15
PORT OF OAKLAND
MARITIME DIVISION – MARINE TERMINAL AGREEMENTS
As of May 1, 2017

Lessee, Assignee or Terminal Operator	Terminal	Berths	MAG or Other Annual Fixed Payment	Date Tenancy Started (Calendar Year)	Expiration of Agreement (Calendar Year)
SSA Terminals (Oakland), LLC ⁽¹⁾	OICT	55-59	\$52,668,721	2002	2022
SSA Terminals, LLC ⁽¹⁾	Matson Terminal	60-63	10,870,279	2013	2022
TraPac, LLC ⁽²⁾	Trapac Terminal	25-33	7,173,628 ⁽³⁾	1990	2030
Everport Terminal Services, Inc. ⁽⁴⁾	Ben E. Nutter Terminal	35-38	8,866,698	2002	2018

⁽¹⁾ SSAT operates the OICT under two agreements.

⁽²⁾ TraPac, LLC has two, five-year options to extend the term.

⁽³⁾ Reflects a construction period during which fixed rent is abated on those portions of the terminal under construction related to the terminal expansion. After the rent-free period ends, annual fixed rent will increase to approximately \$14 million.

⁽⁴⁾ As of July 1, 2012, Evergreen Marine Corporation (Taiwan) Ltd. assigned its interest in its lease agreement to Everport Terminal Services Inc., a wholly-owned subsidiary of Evergreen Marine Corporation (Taiwan) Ltd., Everport operates the Ben E. Nutter Terminal under two agreements. One of the two agreements provides Everport one five-year option to extend the term. Everport must exercise this option between July 1, 2017 and January 1, 2018, which would extend the term through June 2023.

Port Tariffs. The Port sets its tariffs by ordinance. Tariff 2-A (“Tariff”) provides general rules and procedures for the use of Seaport facilities as well as rates for items such as vessel dockage, wharf age, wharf storage, wharf demurrage, container crane rental, and short-term property rental. Changes in Tariff rates may affect payments to the Port under its tenancy agreements. Each agreement can be affected differently by changes in the Tariff, because the compensation terms (for example, timing or type of rent increase) of each agreement are unique.

Although all California public ports, including the Port, control their respective seaport tariff structures, such ports cooperate in setting tariff rates through membership in the California Association of Port Authorities (“CAPA”). CAPA strives to establish and maintain reasonable and, as far as practicable, uniform terminal rates, charges, classifications, rules and regulations for the handling and movement of domestic and foreign waterborne cargo. CAPA also endeavors to permit California ports to obtain adequate returns on investment to facilitate the maintenance, expansion and improvement of their marine facilities. CAPA is exempt from federal antitrust laws in connection with its cooperative rate setting. In the event CAPA declines to approve any CAPA member’s rates, such CAPA member may still independently act with regard to its specific tariff structures by giving a 10-day written notice to CAPA. Upon such notice, CAPA may consult the other CAPA members and make recommendations. Such recommendations by CAPA are purely advisory and non-binding on its members.

Other Seaport Information

Security. Security measures at the Seaport include radiation portal monitors in all international terminals and a comprehensive intrusion detection and surveillance system. Additional security projects are included in the CIP as described under “CAPITAL PLANNING AND CAPITAL PROJECTS—Projects in the CIP—Maritime Projects in the CIP.”

The Port is a member of the San Francisco Bay Area Maritime Security Committee (the “AMSC”). This committee meets quarterly and is chaired by the U.S. Coast Guard, with participants from all federal, state, and local maritime law enforcement agencies in the region as well as private maritime industry representatives. Through the AMSC, the major ports in the Bay Area including the Port, San Francisco, Stockton and Richmond collaborate to implement the 5-year Strategic Risk Mitigation and Trade Resumption/Resiliency Plan and leverage the federal Port Security Grant Program to implement risk-reducing maritime security projects across the Bay Area region.

The Port also collaborates with federal, state and local agencies in the development and participation in yearly maritime exercises that test the Port’s preparation, response and recovery plans and procedures for disasters or incidents of national significance. Lessons learned from these exercises drive communications, command and control, coordination and equipment improvements.

Potential Action by International Longshore and Warehouse Union. The labor agreement between the International Longshore and Warehouse Union (the “ILWU”), the union representing most dockworkers at all United States West Coast ports, and the Pacific Maritime Association, which represents companies engaged in shipping to or through ports on the West Coast of the United States, expires on June 30, 2019. The ILWU members are not employees of the Port.

During the last contract negotiation between these parties in 2014-2015, the contract had expired for approximately one year before the parties reached a tentative agreement on the new contract that is currently in effect. The ILWU did not call for a strike authorization vote and kept working while both sides continued to negotiate an agreement. However, in November 2014 through February 2015, the ILWU began engaging in slowdown tactics against the terminal operators and shipping lines, which resulted in reduced productivity.

Historically, certain labor disruptions have affected the competitive position of all West Coast ports, including the Seaport, while others have been port-specific. It is difficult to predict if a labor disruption will affect all ports equally. In the case of port-specific disruptions, one port could be negatively impacted while another port could benefit from diverted cargo. Future slowdowns, lockouts or other labor activities, including strikes, could reduce the ability of the Port’s maritime tenants to move cargo through the Seaport and therefore could have a materially adverse financial impact on the Port, particularly if such activities constrain or shut down Seaport maritime operations for extended periods. With some allowances for temporary reductions, the terminal operators would be required to pay their MAGs during labor disruptions, but the over-the MAG revenue would be delayed or reduced if activity were impaired.

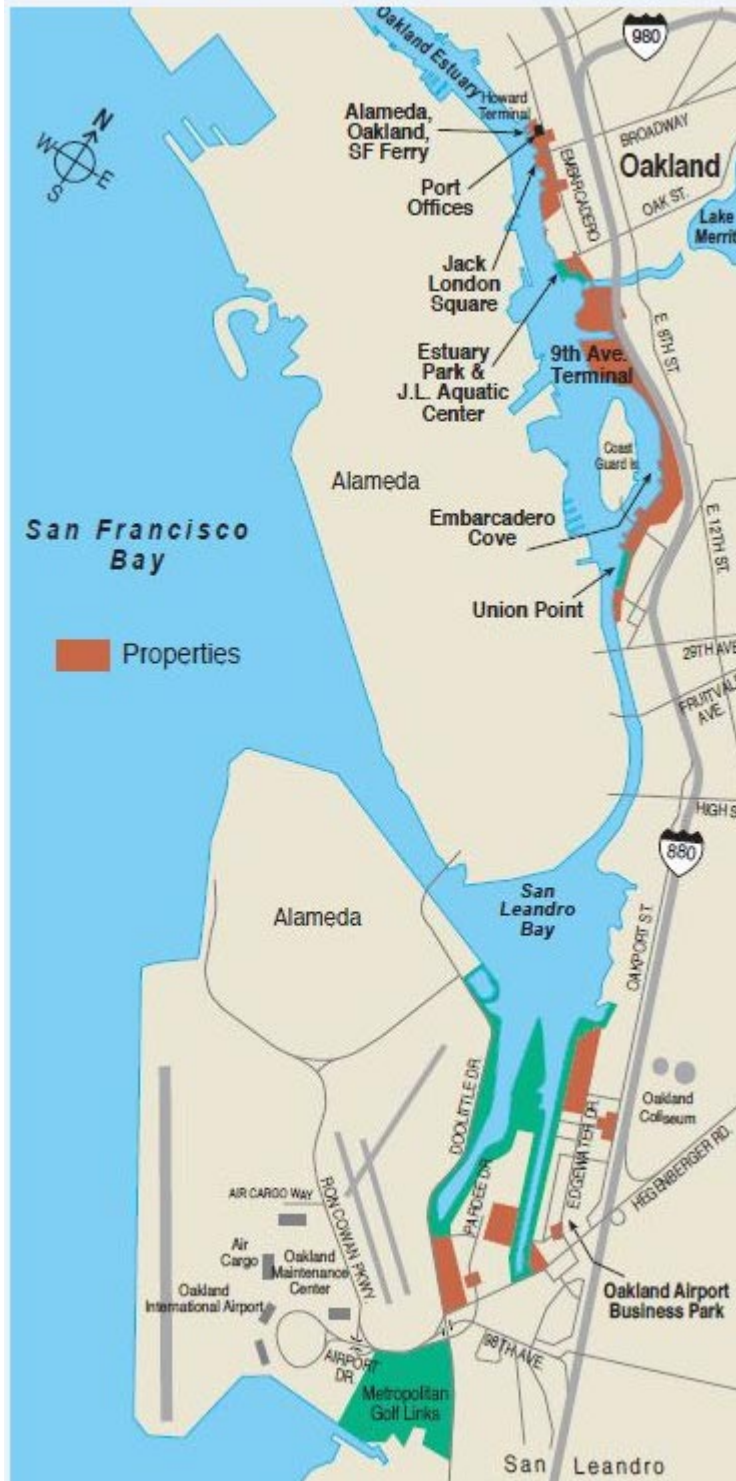
Commercial Real Estate

Overview. Commercial Real Estate includes all Port properties not used or intended to be used for Maritime or Aviation purposes. The major properties are categorized into four distinct geographic areas – Jack London Square, Embarcadero Cove, the Oakland Airport Business Park/Distribution Center and Oak-to-Ninth District. Over the last fifteen years, the Commercial Real Estate Division has leased most of its properties to developers or tenants under long-term ground leases, under which the developer or tenant is responsible for the development, subleasing, operation and maintenance of the improvements on the properties. As a result, the Commercial Real Estate Division’s role has changed from property management, or day-to-day management of properties, to an asset management role for the majority of the properties. As an asset manager, the Commercial Real Estate Division oversees the billing and revenue collection from these agreements, monitors compliance with these agreements, and negotiates amendments or new agreements for this portfolio.

The major properties managed by the Commercial Real Estate Division are shown on the diagram on the next page and described in the following pages. As with all properties owned by the Port, the properties are subject to the tidelands trust restriction described under “PORT FINANCES—Tidelands Trust Properties.” For certain economic and demographic information related to the Bay Area see APPENDIX F—“ECONOMIC AND DEMOGRAPHIC INFORMATION.”

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COMMERCIAL REAL ESTATE PROPERTIES



Commercial Real Estate Properties. The following table lists the Port’s commercial real estate properties, categorized by location.

**TABLE 16
PORT OF OAKLAND
COMMERCIAL REAL ESTATE DIVISION PROPERTIES**

Properties	Approximate Acreage	Number of Agreements	Types of Uses
Jack London Square	41	43	Office, Retail, Hotel, Restaurant, Parking, Entertainment, Marinas
Embarcadero Cove	29	20	Office, Retail, Hotel, Industrial, Marinas, Restaurant
Oakland Airport Business Park/ Distribution Center	718 ⁽¹⁾	15	Office, Retail, Hotel, Industrial, Distribution Terminal
Other Areas ⁽²⁾	<u>49</u>	<u>15</u>	Industrial, Billboards and Antennae
Totals	837	93	

⁽¹⁾ Approximately 637 acres of this land are leased at nominal rent to the East Bay Regional Park District.

⁽²⁾ Includes Oak-to-Ninth District.

Jack London Square. Jack London Square is a mixed-use waterfront commercial development, located along the Oakland Estuary at the foot of Broadway, approximately one-half mile from the Oakland City Center. This area includes office, retail, hotel, restaurant, parking and entertainment facilities and significant amounts of public access and event space. The Port owns the majority of the land in Jack London Square. Most of the Port’s revenues in this area come from fixed ground leases and parking revenues.

In March 2016, Jack London Square Ventures, the Port’s prior master lessee who controlled the majority of the ground leased sites in Jack London Square, assigned all of their ground leases, as well as the fee title to their two privately owned parcels adjacent to Jack London Square, to CIM Group, LLC, (“CIM”) which owns and manages these leased properties and sites under separate single purpose lease entities for each site. CIM is a nationally recognized large-scale real estate investment and development group, with significant experience owning, developing and managing a variety of commercial, residential, hotel and mixed use properties in existing urban center markets.

In Jack London Square, the Port retains daily property management responsibilities for the building that houses its administrative offices (encompassing approximately 162,400 square feet), two parking garages, three surface parking lots, several freestanding restaurants, and the public common areas. As of May 1, 2017, the office and retail space in Jack London Square owned by the Port was approximately 95% leased.

The Port also owns the Jack London Marina, which contains 142 berths and a fuel dock, and is operated and managed by a third party under the terms of a 50-year lease and operating agreement. This third party also manages and operates all of the other Port owned recreational marinas located further east along the Oakland Estuary.

Embarcadero Cove. Embarcadero Cove is comprised of properties located along the Embarcadero roadway that runs along the waterfront of the Oakland Estuary, extending from 10th Avenue to 23rd Avenue. The Embarcadero Cove properties include four recreational marinas with a total of 357 berths, a public fishing pier, shops, offices, three hotels, several restaurants and Union Point Park.

The majority of these properties are leased by the Port to various tenants under long-term agreements. Under these leases, the tenant is responsible for the development, maintenance and operating costs of its facilities (except in limited circumstances where the Port has retained minor maintenance obligations) and must provide for minimum annual guaranteed payments to the Port. In some instances, the Port also receives a participation or variable rent payment derived from a portion of the tenants' gross revenues in addition to the minimum annual guaranteed amounts.

Oakland Airport Business Park/Distribution Center. The Port currently owns approximately 718 acres of the Oakland Airport Business Park/Distribution Center, of which approximately 637 acres are leased at nominal rent to the East Bay Regional Park District. Of the approximately 81 acres remaining, as of May 1, 2017, approximately 77 acres were ground leased to approximately seven Port tenants. Most of the current lease agreements are long-term in nature and contain warehouse-distribution type tenants, storage yards for delivery/commercial vehicles, and one hotel.

Brooklyn Basin. The Brooklyn Basin project site consists of approximately 64 acres, and is the City's largest remaining developable waterfront site. In June 2013, Zarsion-Oakland Harbor Partners ("ZOHP"), and the Port closed escrow on the project site. Total funds received by the Port from the property transfer were approximately \$19.4 million. The Port transferred fee title for approximately 50% of the property at close of escrow, totaling approximately 32 acres, and executed a long term ground lease for the remaining approximately 32 acres with ZOHP for development of public open space, as well as a marina lease for development and renovation of two recreational marinas located on Port-owned water immediately adjacent to the site. To date, ZOHP has completed most of the on-site infrastructure required for the projects such as roadway enhancements and installation of new utility infrastructure, street lights, paving of interior roadways, etc., as well as remediation of a portion of the site. Construction of the first phase of the residential units and the first phase of the open space commenced in May 2017.

Other Areas. The Commercial Real Estate Division also manages, and collects revenue from, several stand-alone radio towers, billboards and cellular communications poles, most of which are located in the Seaport area.

Major Sources of Commercial Real Estate Revenues. The Commercial Real Estate Division generated approximately \$16.2 million or 4.8% of the Port's total operating revenues in Fiscal Year 2016. In Fiscal Year 2016, approximately 70% of the operating revenues were derived from minimum base rents, followed by approximately 17% from parking revenues and approximately 13% from participation or variable rent. Approximately 61% of the revenues come from minimum base rents on properties leased under long-term ground leases that provide that the lessees are responsible for maintaining the buildings and leasing out individual spaces to any sub-tenants. Commercial Real Estate revenues categorized by property location are set forth in the following table.

TABLE 17
PORT OF OAKLAND
COMMERCIAL REAL ESTATE DIVISION
MAJOR SOURCES OF OPERATING REVENUE
FISCAL YEAR 2016

<u>Source</u>	<u>Revenue</u>
Jack London Square	\$ 8,249,722
Embarcadero Cove	2,448,379
Oakland Airport Business Park/Distribution Center	2,953,650
Brooklyn Basin & Other Areas	2,443,408
Utilities	103,076
Total	\$16,198,235

The top ten individual sources of operating revenue for the Commercial Real Estate Division in Fiscal Year 2016 are presented in Table 18.

TABLE 18
PORT OF OAKLAND
COMMERCIAL REAL ESTATE DIVISION
TOP TEN SOURCES OF COMMERCIAL REAL ESTATE OPERATING REVENUE
FISCAL YEAR 2016

<u>Source</u>	<u>Revenue</u>
1. Jack London Square Port public parking	\$ 2,657,531
2. United Parcel Service, Inc.	1,121,194
3. Oakland Airport Hilton	998,677
4. Embarcadero Executive Inn	802,713
5. Jack London Square Associates	671,487
6. Zarsian – OHP 1, LLC	671,434
7. Beverages and More	540,002
8. Oakland Hospitality, LLC	514,887
9. Yoshi's Restaurant	465,860
10. JLS Ventures 55 Harrison	438,451
Total	\$ 8,882,236

Utilities

The Port provides utility services (electricity, gas, water, and sanitary sewer service) to Port facilities (both tenant-operated and Port-operated) in support of Aviation, Maritime, and Commercial Real Estate operations. In Fiscal Year 2016, utility sales generated approximately \$14.4 million in revenue, with cost of sales at approximately \$7.1 million. Approximately 99% of the Port's utility revenues and 98% of the cost of sales were related to the sale of electricity. Revenues and expenses associated with utility services are allocated to the Aviation, Maritime and Commercial Real Estate Divisions, and capital projects related to utilities are included in the Port's CIP.

Electricity.

For the provision of electricity service, the Port acts as a municipal utility for the Airport and portions of the Seaport. At Seaport facilities not served by the Port acting as a municipal utility, electricity is provided by Pacific Gas and Electric (“PG&E”) who serves the Northern California region, either directly to the tenant or through the Port’s distribution infrastructure at PG&E rates. The Port’s Commercial Real Estate area is served entirely by PG&E.

As a municipal electric utility, the Port purchases power from the wholesale market and uses the California Independent System Operator (“CAISO”), the largest electric grid manager in California, and PG&E transmission infrastructure to deliver the electricity to the tenants through the Port’s distribution infrastructure. The Port’s authority to impose and collect rates and charges for electric power and energy sold and delivered is established by Board ordinance and not subject to the regulatory jurisdiction of the California Public Utilities Commission (“CPUC”) and presently neither CPUC nor any other regulatory authority of the State of California nor the Federal Energy Regulatory Commission (“FERC”) approval is required for such rates and charges.

Although the Port is not subject to CPUC oversight with respect to rates and charges, the Port is under the jurisdiction of regulatory bodies including but not limited to FERC, the Western Electricity Coordinating Council, the North American Electric Reliability Corporation, California Air Resource Board (“CARB”), CAISO, and the California Energy Commission which are federal and regional regulatory agencies. The Port continues to implement and comply with the regulations and may be exposed to higher costs to do so. The Port is unable to predict the impact of complying with any future legislation or regulatory proposals of the electric utility industry. See “INVESTOR CONSIDERATIONS—Future Regulation of the Electric Utility Industry.”

The Port is a member of the Northern California Power Agency (“NCPA”), a joint powers agency, whose membership consist of 14 members and 1 associate member. NCPA provides power management, power generation, policy advocacy and other essential support services to the members.

Energy Portfolio. In Fiscal Year 2016, the Port purchased approximately 26% of its electricity needs through long-term agreements and 74% of its electricity needs from the wholesale market (including spot and forward purchases) through power trading companies. The Port currently has three long-term power purchase agreements with the Western Area Power Administration (“WAPA”), SunEdison, LLC (“SunEdison”), and East Bay Municipal Utility District (“EBMUD”), a California public utility. The WAPA take or pay contract expires in 2024, the SunEdison take and pay contract expires in 2027, and the EBMUD take and pay contract was extended through 2022. With the SunEdison and EBMUD contract, the Port only pays for the energy delivered while the Port pays WAPA regardless of the amount of energy the project produces. These contracts include an obligation on the part of the Port to make payments or post collateral contingent upon the occurrence or nonoccurrence of certain future events, including events that are beyond the direct control of the Port. See “INVESTOR CONSIDERATIONS—Contingent Payment Obligations” and—“Risks Associated with Power Purchase Agreements.” The Port continues to look for and evaluate other similarly structured long-term power purchase agreements.

On April 21, 2016, SunEdison and certain of its domestic and international subsidiaries filed voluntary petitions for reorganization under chapter 11 of the U.S. Bankruptcy Code (“chapter 11”) in the Bankruptcy Court in the Southern District of New York. The chapter 11 filing is at the corporate level, and bankruptcy proceedings are ongoing. The Port cannot predict the outcome of the bankruptcy proceedings with respect to SunEdison, however, it does not anticipate a material adverse effect on the Port with respect to its electricity needs and related financial obligations. See “INVESTOR CONSIDERATIONS—Risks Associated with Power Purchase Agreements.”

As of May 1, 2017, the Port had an outstanding commitment of approximately \$4.2 million in forward power purchases through Fiscal Year 2020. The Port's outstanding commitment is valued at approximately \$3.5 million based on indicative market prices as of May 1, 2017. The value of the Port's outstanding commitment changes daily based on a variety of market factors that are beyond the Port's control. The Port's current forward power contracts and long-term power purchase contracts are expected to provide approximately 80% of the Port's power requirements through January 1, 2020.

The Port's Energy Risk Management and Procurement Program includes guidelines and a laddering strategy for its forward power contracts to mitigate price risk and diversify its forward power contracts by transacting with several counterparties in order to reduce its counterparty risk, and is intended to follow electric industry-wide risk management policies. To supplement the long-term power purchase contracts and forward power contracts, the Port has a continuous supply agreement with NCPA to purchase power for the Port on an as-needed basis and for emergencies, and to sell any excess power if needed. The Port does not expect a power interruption at its facilities, but no assurances can be given that such an interruption will not occur.

Renewable Energy. In 2011, the Board adopted Renewable Portfolio Standard ("RPS") policies to comply with the California Renewable Energy Resources Act, which, in part, requires California electricity providers to obtain at least 33% of their energy from renewable resources by the year 2020. In October 2015, the Governor signed into law Senate Bill 350, which among other things increased the RPS to 50% by 2030.

The Port is actively working to procure eligible renewable sources of electricity and is currently negotiating with several counterparties on power purchase agreements for the purchase of eligible renewable sources of electricity. In March 2017, the Board approved a power purchase agreement with NCPA and four other NCPA members to purchase solar energy from a solar farm in the City of Lancaster that is estimated to be online in later 2020. This purchase will help the Port meet 35% of its renewable energy requirements. The Port is working towards meeting the RPS requirement, but no assurances can be given at this time that the Port will be able to fully comply with RPS requirements. The Port may be exposed to higher costs in order to comply with the new RPS requirement. See "INVESTOR CONSIDERATIONS—Future Regulation of the Electric Utility Industry."

Gas, Water and Sanitary Sewer.

The Port provides and sells natural gas on a very limited, pass-through basis from the local investor-owned utility, PG&E. The Port provides water distribution and sanitary sewer collection infrastructure, through which EBMUD provides water commodity and sewer treatment services.

The Port, as the owner and operator of sewer collection infrastructure, must comply with certain regulatory requirements of agencies including, but not limited to, the San Francisco Regional Water Control Board and the State Water Resources Control Board ("State Water Board"), U.S. Environmental Protection Agency ("EPA"), EBMUD, and the City. The Port may be exposed to higher costs to comply with regulatory requirements such as: the State Water Board's 2006 Statewide Waste Discharge Requirements; the EBMUD's Regional Private Sewer Lateral Ordinance Program; and the 2014 Federal Consent Decree settlement between the EPA, EBMUD, the City and other East Bay cities. The Port is not a party to the negotiated settlement under the 2014 Federal Consent Degree, but may be required to rehabilitate its collection system to reduce inflow and infiltration from surface water and groundwater. Federal and State laws and regulations and local ordinances are subject to change and may lead to more stringent operating and maintenance requirements which may impose additional costs on the collection, conveyance, and disposal of sanitary sewage. No assurances can be given at this time that the Port will be able to fully

comply with all applicable future laws and regulations as well as claims against the Port’s sewer collection system for failure to comply.

PORT FINANCES

The Port’s audited basic financial statements for the Fiscal Years ended June 30, 2016 and 2015 are attached to this Official Statement as APPENDIX A—“AUDITED BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEARS ENDED JUNE 30, 2016 AND JUNE 30, 2015 AND INDEPENDENT AUDITORS’ REPORT.” The auditors opined that the financial statements presented fairly in all material respects the financial position of the Port at June 30, 2016.

For Fiscal Years 2003-2016, the Port and City used the accounting firm of Macias, Gini and O’Connell LLP to conduct the annual audit reviews. The Port’s and the City’s audit contracts with Macias, Gini and O’Connell LLP have been extended through Fiscal Year 2018.

Historical Operating Results

Table 19 presents the Port’s historical Statement of Revenues, Expenses and Changes in Net Position for Fiscal Years 2012 through 2016 and is based on the Port’s audited financial statements. Table 20 presents the Port’s audited Statement of Revenues, Expenses and Changes in Net Position for Fiscal Years 2015 and 2016, adopted budget for Fiscal Year 2017, unaudited nine months year-to-date financial results for Fiscal Year 2017 and for comparison purposes unaudited nine months year-to-date financial results for Fiscal Year 2016.

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TABLE 19
PORT OF OAKLAND
STATEMENTS OF
REVENUES, EXPENSES AND CHANGES IN NET POSITION
FISCAL YEARS 2012 THROUGH 2016
(\$000s)

	2012	2013	2014	2015⁽¹⁾	2016⁽¹⁾
Operating Revenues					
Aviation	\$140,309	\$150,871	\$157,220	\$162,135	\$173,067
Maritime	152,988	151,869	152,657	158,684	148,772
Commercial Real Estate	12,841	12,778	13,163	15,768	16,198
	<u>306,138</u>	<u>315,518</u>	<u>323,040</u>	<u>336,587</u>	<u>338,037</u>
Operating Expenses excl. Depreciation					
Aviation	(106,657)	(106,002)	(111,251)	(114,902)	(115,344)
Maritime	(35,708)	(37,059)	(43,201)	(48,532)	(55,738)
Commercial Real Estate	(8,413)	(8,562)	(9,874)	(10,229)	(10,075)
	<u>(150,778)</u>	<u>(151,623)</u>	<u>(164,326)</u>	<u>(173,663)</u>	<u>(181,157)</u>
Depreciation					
Aviation	(45,407)	(44,459)	(42,738)	(46,587)	(50,000)
Maritime	(49,448)	(50,624)	(53,404)	(52,077)	(51,397)
Commercial Real Estate	(3,177)	(3,151)	(3,117)	(3,095)	(2,680)
	<u>(98,032)</u>	<u>(98,234)</u>	<u>(99,259)</u>	<u>(101,759)</u>	<u>(104,077)</u>
Operating Expenses	<u>(248,810)</u>	<u>(249,857)</u>	<u>(263,585)</u>	<u>(275,422)</u>	<u>(285,234)</u>
Operating Income	(A) 57,328	65,661	59,455	61,165	52,803
Non-Operating Revenues (Expenses)					
Interest Income	1,755	1,095	1,373	1,783	2,149
Interest Expense	(66,798)	(59,598)	(53,977)	(51,636)	(49,889)
Customer Facility Charges	5,184	5,387	5,625	6,253	5,939
Customer Facility Charges Expenses ⁽²⁾			(4,219)	(4,137)	(4,307)
Passenger Facility Charges	19,758	19,924	19,698	21,478	22,929
Grant Revenues	---	---	---	3,874	1,419
Grant Expenses	---	---	---	(3,874)	(1,419)
Other Income (Expenses)	(1,809)	3,668	(2,727)	3,176	3,744
Gain on Lease Termination	---	---	---	---	35,200
Gain (Loss) on Disposal of Capital Assets	(2,276)	12,052	(3,791)	84	(629)
Total Non-Operating Income (Expenses)	(B) (44,186)	(17,472)	(38,018)	(22,999)	15,136
Capital Contributions					
Grants from Government Agencies	(C) 23,217	37,896	60,335	73,725	34,849
Change in Net Position	(A+B+C) 36,359	86,085	81,772	111,891	102,788
Net Position, beginning of the year ⁽³⁾	905,975	942,334	1,028,419	927,867	1,039,758
Net Position, end of the year	<u>942,334</u>	<u>1,028,419</u>	<u>1,110,191</u>	<u>1,039,758</u>	<u>1,142,546</u>

⁽¹⁾ See APPENDIX A for Port of Oakland Audited Basic Financial Statement for the Fiscal Years Ended June 30, 2016 and June 30, 2015.

⁽²⁾ Beginning in Fiscal Year 2016, expenses reimbursed with Customer Facility Charges were reclassified from operating to non-operating expenses. For comparative purposes, Fiscal Years 2014 and 2015 are restated to conform with Fiscal Year 2016 presentation.

⁽³⁾ Beginning Net Position for Fiscal Year 2015 decreased \$182,324 due to the adoption of GASB 68, *Accounting and Financial Reporting for Pension*.

TABLE 20
PORT OF OAKLAND
UNAUDITED NINE MONTHS FINANCIALS
FOR FISCAL YEARS 2016 AND 2017, AUDITED FINANCIALS
FOR FISCAL YEARS 2015 AND 2016,
AND ADOPTED BUDGET FOR FISCAL YEAR 2017
(\$000s)

	Unaudited 9 Months ending 3/31/2016 ⁽¹⁾	Unaudited 9 Months ending 3/31/2017 ⁽¹⁾	Audited Fiscal Year 2015 ⁽²⁾	Audited Fiscal Year 2016 ⁽²⁾	Budget Fiscal Year 2017 ⁽³⁾
Operating Revenues					
Aviation	128,253	140,249	\$162,135	\$173,067	\$184,571
Maritime	118,310	116,325	158,683	148,772	142,918
Commercial Real Estate	12,168	12,552	15,768	16,198	15,681
	<u>258,731</u>	<u>269,126</u>	<u>336,587</u>	<u>388,037</u>	<u>343,169</u>
Operating Expenses excl. Depreciation					
Aviation	(61,084)	(65,300)	(78,285)	(79,606)	(93,884)
Maritime	(7,733)	(7,386)	(8,924)	(11,069)	(11,494)
Commercial Real Estate	(4,250)	(4,589)	(6,108)	(6,260)	(6,534)
Engineering & Environmental	(22,000)	(21,308)	(27,195)	(27,244)	(34,273)
Utilities Cost of Sales	(5,385)	(4,584)	(7,075)	(7,113)	(7,657)
Executive Office	(3,369)	(3,334)	(4,546)	(4,226)	(5,664)
Board of Port Commissioners	(371)	(381)	(504)	(456)	(561)
Office of Audit Services	(984)	(975)	(1,141)	(1,085)	(1,440)
Port Attorney's Office	(2,915)	(2,981)	(3,799)	(3,773)	(4,891)
Finance & Administration	(9,924)	(11,019)	(12,314)	(12,872)	(15,576)
Non-Departmental Expenses	(21,977)	(22,250)	(32,204)	(33,168)	(27,386)
Absorption of Labor & Overhead to Capital Assets ⁽⁴⁾	4,541	4,635	8,432	5,715	8,701
	<u>(135,451)</u>	<u>(139,472)</u>	<u>(173,663)</u>	<u>(181,157)</u>	<u>(200,659)</u>
Depreciation	<u>(78,169)</u>	<u>(79,163)</u>	<u>(101,759)</u>	<u>(104,077)</u>	<u>(105,220)</u>
Operating Expenses	<u>(213,620)</u>	<u>(218,635)</u>	<u>(275,422)</u>	<u>(285,234)</u>	<u>(305,879)</u>
Operating Income (A)	45,111	50,491	61,165	52,803	37,291
Non-Operating Revenues (Expenses)					
Interest Income	1,339	1,594	1,783	2,149	1,691
Interest Expense	(37,589)	(35,964)	(51,636)	(49,889)	(47,910)
Customer Facility Charges	4,444	4,242	6,253	5,939	6,536
Customer Facility Charges Expenses	(3,185)	(3,397)	(4,137)	(4,307)	(4,856)
Passenger Facility Charges	16,526	17,600	21,478	22,929	23,664
Grant Revenues	-	707	3,874	1,419	-
Grant Expenses	-	(707)	(3,874)	(1,419)	-
Other Income (Expenses)	(2,495)	(1,823)	3,176	3,744	(3,153)
Gain on Lease Termination	0	5,526	-	35,200	-
Gain (Loss) on Disposal of Capital Assets	(630)	0	84	(629)	(300)
Total Non-Operating Income (Expenses) (B)	<u>(21,589)</u>	<u>(12,222)</u>	<u>(22,999)</u>	<u>15,136</u>	<u>(24,328)</u>
Capital Contributions					
Grants from Government Agencies (C)	33,613	8,075	73,725	34,849	33,895
Change in Net Position (A+B+C)	<u>\$57,135</u>	<u>\$46,344</u>	<u>\$ 111,891</u>	<u>\$ 102,788</u>	<u>\$ 46,858</u>

⁽¹⁾ Results for the first nine months are derived from unaudited financial information and are subject to year-end adjustments, including allocation of expenses to the Aviation, Maritime and Commercial Real Estate Divisions and GASB 68 adjustments related to pension accruals, and may not be indicative of results for the full Fiscal Year due to seasonality and other factors.

⁽²⁾ See APPENDIX A for Port of Oakland Audited Basic Financial Statement for the Fiscal Years Ended June 30, 2016 and June 30, 2015. Beginning in Fiscal Year 2016, expenses reimbursed with Customer Facility Charges were reclassified from operating to non-operating expenses. For comparative purposes, Fiscal Year 2015 is restated to conform with Fiscal Year 2016 presentation.

⁽³⁾ Budget numbers are based on the Port's expectations at the time the budget was adopted and may not be indicative of actual results.

⁽⁴⁾ Labor and overhead costs that are capitalized.

Management Discussion and Analysis

Fiscal Year 2016 Compared to Fiscal Year 2015. Please see APPENDIX A—“AUDITED BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEARS ENDED JUNE 30, 2016 AND JUNE 30, 2015 AND INDEPENDENT AUDITORS’ REPORT” for management’s discussion and analysis of the financial performance of the Port for the Fiscal Years ended June 30, 2015 and June 30, 2016.

Nine Months Ended March 31, 2017 Compared to Nine Months Ended March 31, 2016 (Unaudited). For the nine months ended March 31, 2017, the Port’s operating revenues of \$269.1 million were \$10.4 million, or 4% higher than operating revenues of \$258.7 million for the nine months ended March 31, 2016. The operating revenue increase was driven primarily by increases in terminal rental, landing fees, parking and ground access, and concession revenues at the Airport due to higher Airline Rates and Charges and enplaned passengers being up 7.1% for the first nine months of the fiscal year. Aviation operating revenues were up \$12 million or 9.4%. Maritime operating revenues were down \$2 million or 1.7% in comparison to the same time period for the previous fiscal year. Revenue losses from the closure of OHT in Spring 2016 was largely offset by increases in variable rent payments resulting from displaced cargo being re-routed by ocean carriers to three other marine terminals, and additional lease rentals on available land. Loaded TEUs increased 4.7% for the first nine months of the fiscal year. For further information, see “THE PORT OF OAKLAND—Maritime—Recent Seaport Events—Outer Harbor Terminal Closure.”

Operating expenses before depreciation for the nine months ended March 31, 2017 of \$139.5 million, were \$4 million or 3% higher than the same time period for the previous fiscal year. The increase in operating expenses was driven primarily by higher salaries, pension and maintenance costs. Operating expenses including depreciation was 2.3% higher. Operating income for the first nine months ended March 31, 2017 was \$50.5 million or \$5.4 million higher than the same time period for the previous fiscal year. Port management anticipates that Port operating revenues for Fiscal Year 2017 will meet or exceed the Fiscal Year 2017 Budget and that operating income will also meet or exceed the Fiscal Year 2017 Budget.

The unaudited nine months year-to-date financial results, however, are not necessarily indicative of full-Fiscal Year-end financial results, and no assurances can be provided that full-Fiscal Year 2017 financial results will meet the adopted Fiscal Year 2017 budget. Port operating revenues and operating expenses are subject to seasonality and other variances, as well as unanticipated events, and cannot be annualized. In addition, unaudited nine months year-to-date results for Fiscal Year 2017 are subject to year-end adjustments, including allocation of certain expenses and revenues to the Aviation, Maritime and Commercial Real Estate Divisions and the recognition of pension related adjustments. Fiscal Year 2017 budget numbers are based on the Port’s expectations at the time the budget was adopted and may not be indicative of actual results.

Debt Service Coverage

Historical Debt Service Coverage. The following table shows historical debt service coverage on the Senior Lien Bonds then outstanding for Fiscal Years 2012 through 2016 and debt service coverage on the Senior Lien Bonds, DBW Loan and Intermediate Lien Bonds then outstanding for the same years.

TABLE 21
PORT OF OAKLAND
HISTORICAL BOND DEBT SERVICE COVERAGE
FISCAL YEARS 2012 THROUGH 2016
(\$000s)

	2012	2013	2014	2015	2016
Net Revenues ⁽¹⁾	\$161,254	\$170,128	\$160,769	\$164,664	\$158,982
Senior Lien Bond Debt Service	\$69,173	\$68,263	\$48,069	\$50,146	\$48,191
Senior Lien Bond Debt Service Coverage	2.33	2.49	3.34	3.28	3.30
Senior Lien Bond, DBW Loan and Intermediate Lien Bond Debt Service	\$108,175	\$107,268	\$98,191	\$98,192	\$98,877
Senior Lien Bond, DBW Loan and Intermediate Lien Bond Debt Service Coverage	1.50	1.59	1.64	1.68	1.61

⁽¹⁾ Calculated as defined under the Senior Lien Master Trust Indenture and Intermediate Lien Master Trust Indenture.

Projected Debt Service Coverage. Table 22 presents the budgeted debt service coverage for Fiscal Year 2017 and the projected debt service coverage for Fiscal Years 2018 through 2022. The projections were developed by the Port as part of the development of the Port’s operating budget for Fiscal Year 2017, and the projected operating budget for Fiscal Year 2018.

The projections in Table 22 take into account the Port’s Senior Lien Bonds, DBW Loan and Intermediate Lien Bonds outstanding as of the date of this Official Statement, but do not reflect issuance of the 2017 Intermediate Lien Bonds or any Additional Senior Lien Bonds or Additional Intermediate Lien Bonds, nor do they reflect the redemption of any of the 2007 Intermediate Lien Bonds outstanding as of the date of this Official Statement. The issuance of the 2017 Intermediate Lien Bonds and the redemption of the Refunded 2007 Intermediate Lien Bonds will reduce the amount of debt service due beginning in Fiscal Year 2018. The projections in Table 22 do not take into account outstanding principal or interest payable on the CP Notes or other costs associated with the Port’s CP Notes, such as ongoing dealer or liquidity costs. Net Revenues are as defined in the Senior Lien Master Trust Indenture and the Intermediate Lien Master Trust Indenture and are calculated in accordance with generally accepted accounting principles and based on the accrual basis of accounting, wherein revenues are recognized when they are earned, not when received, and expenses are recognized when they are incurred, not when paid. As a result, the Port’s debt service coverage ratios do not reflect the Port’s cash flow.

The projections contained in Table 22 below are subject to a number of assumptions, including the availability of additional funding sources when needed and the completion of the CIP according to the current schedule. The projections also reflect further assumptions with respect to the Port’s future operating revenues and operating expenses, and numerous other assumptions related to future activity in the Aviation, Maritime and Commercial Real Estate Divisions. Operating revenues are assumed to grow at a compound annual growth rate of 3.3% from Fiscal Year 2016 (audited results) through Fiscal Year 2022, reflecting enplanement growth in the range of 7.6% for FY 2017, 3.8% for FY 2018, 3.5% for FY 2019, then moderating to 2.5%, and cargo activity growth in the range of 2%. Over the same time period, operating expenses (before depreciation and amortization) are assumed to grow at a compound annual growth rate of 5.7%, primarily due to rising pension, health care, major maintenance, security, and regulatory costs.

No assurances can be given that the projections and future results discussed in this Section will be achieved, or that the issuance of the 2017 Intermediate Lien Bonds and the redemption of the Refunded 2007 Intermediate Lien Bonds will result in debt service ratios greater than those reflected in Table 22. Future results, for example, could be adversely impacted by such factors as (i) unanticipated increases in expenditures or decreases in revenues, (ii) the unavailability of assumed funding sources when needed (particularly grants and other funding that may be subject to future governmental authorization or appropriation), (iii) construction delays or cost overruns, or (iv) other adverse and unforeseen events or conditions affecting the Port. Actual results may differ materially from the forecasts described herein.

**TABLE 22
PORT OF OAKLAND
PROJECTED BOND DEBT SERVICE COVERAGE
FISCAL YEARS 2017 THROUGH 2022
(\$000s)**

	2017 ⁽¹⁾	2018 ⁽²⁾	2019 ⁽²⁾	2020 ⁽²⁾	2021 ⁽²⁾	2022 ⁽²⁾
Net Revenues ⁽³⁾	\$144,782	\$151,421	\$155,811	\$157,517	\$161,400	\$164,793
Senior Lien Bond Debt Service	44,389	45,370	46,355	47,433	65,694	76,469
Senior Lien Bond, Debt Service Coverage	3.26	3.34	3.36	3.32	2.46	2.16
Senior Lien Bond, DBW Loan and Intermediate Lien Bond Debt Service	99,478	100,939	102,448	97,084	96,447	98,052
Senior Lien Bond, DBW Loan and Intermediate Lien Bond Debt Service Coverage	1.46	1.50	1.52	1.62	1.67	1.68

⁽¹⁾ FY 2017 Budget.

⁽²⁾ Projected; does not reflect debt service savings as a result of the refunding of the Series 2007 Refunded Intermediate Lien Bonds.

⁽³⁾ Calculated as defined under the Senior Lien Master Trust Indenture and Intermediate Lien Master Trust Indenture.

Port Operating Budget

Generally. The Port’s operating budget is an essential and major component in the Port’s overall planning and management process. The operating budget is a plan for each division’s operating revenues and expenses and for Port-wide non-operating income and expenses. The Port’s operating budget is intended solely for planning purposes, and nothing in the operating budget should be construed as an assurance of actual results. Actual results will vary and may vary materially.

The upcoming Fiscal Year operating budget is adopted through resolution of the Board. The operating budget may only be amended by a resolution of the Board. During the fiscal year, monthly variance reports are produced comparing actual monthly results to seasonally adjusted monthly budgets.

In conjunction with the development of its operating budget, the Port also develops financial forecasts for the subsequent four years, which are provided for informational and conceptual purposes only. Actual results will vary and may vary materially.

In conjunction with the development of its operating budget, the Port also engages in a capital planning process, which includes development of an updated 5-year CIP which is presented for informational and conceptual purposes only, and the adoption of a Fiscal Year capital budget. See “CAPITAL PLANNING AND CAPITAL PROJECTS” for further discussion of the capital planning process and for a description of the projects included in the current CIP.

Highlights of the Fiscal Year 2018 Budget.

The following summary sets forth the projections and assumptions of the Port for purposes of the Fiscal Year 2018 budget, which was presented to the Board and approved on June 22, 2017.

The operating revenues for Aviation, Maritime and Commercial Real Estate are based on divisional input incorporating known market and competitive factors, analysis of existing contracts, and the execution of anticipated future contracts. The estimated operating expenses for Fiscal Year 2018 incorporate known and anticipated cost increases and decreases, with an emphasis on controlling expenses, while addressing core operational needs and ensuring adequate funding for key activities necessary to the maintenance and enhancement of the Port's competitiveness.

Port-wide operating revenues are projected to be \$368.8 million, \$25.7 million or 7.5% higher than Fiscal Year 2017 budget. Projected Aviation revenues of \$197.9 million is \$13.4 million or 7.3% higher than Fiscal Year 2017 budget and reflects solid passenger growth during the first nine months of Fiscal Year 2017. Passenger traffic is anticipated to grow 3.8% and approach 13 million passengers in Fiscal Year 2018. The increase in Aviation revenues is driven by higher terminal rents and landing fees and anticipated higher TNC revenues, offset by a lower rental car concession agreement. See "The PORT OF OAKLAND—Aviation—Airline Agreements and Rate Setting" and "THE PORT OF OAKLAND—Aviation—Major Sources of Airport Operating Revenues." Maritime revenues of \$154.6 million, is budgeted to be \$11.7 million or 8.2% higher than Fiscal Year 2017 budget and reflects the operating results achieved during the first nine months of Fiscal Year 2017. The increase in budgeted Maritime revenues is driven by (i) higher variable rent payments from marine terminal operators, resulting from displaced cargo due to the closure of a major terminal operator being re-routed by ocean carriers to three other marine terminals, and (ii) additional lease rentals, providing ancillary Maritime support services, on available land. Maritime cargo activity is projected to increase 2%. See "THE PORT OF OAKLAND—Maritime—Recent Seaport Events—Outer Harbor Terminal Closure" and "THE PORT OF OAKLAND—Maritime—Port Operating and Use Agreements and Port Tariffs—Marine Terminal Agreements." Commercial real estate revenues of \$16.3 million is budgeted to rise \$0.6 million or 3.8% due to increases in parking revenues, percentage rents and minimum rent adjustments due to lease renewals and scheduled rent adjustments.

Port-wide operating expenses before depreciation is budgeted at \$219.6 million and budgeted to increase \$19 million, or 9.5%. The primary drivers for the increase is a rise in personnel costs (with no change in staffing levels), major maintenance, maintenance dredging, security and additional U.S. Customs and Border Protection services at the Airport.

Non-operating items include items such as interest expense, interest income, PFCs and CFCs. In aggregate, non-operating items are budgeted to be a net expense of \$19.5 million, and is lower than Fiscal Year 2017 budget by approximately \$4.9 million, primarily due to lower interest expense and higher PFCs.

The Port's change in net assets for Fiscal Year 2018 is budgeted at \$80.6, an increase of \$33.7 million from FY 2017 budget. The Port's change in net assets is calculated as the sum of operating income, non-operating items and capital contributions from grants.

Investments

Moneys held by the Senior Lien Trustee under the Senior Lien Master Trust Indenture and the Intermediate Lien Trustee under the Intermediate Lien Master Trust Indenture, including moneys in the Debt Service Funds (and the accounts therein) and the Reserve Funds (including the Intermediate Lien Common Reserve Fund), may be invested at the direction of the Port in Permitted Investments pursuant to the Senior Lien Indenture and the Intermediate Lien Master Trust Indenture.

The Charter requires that all moneys held in the Port Revenue Fund be deposited in the City Treasury. Currently, the Treasury Manager of the City (the “City Treasurer”) has the authority to invest such funds in accordance with the City’s investment program. As of March 31, 2017, approximately \$360 million consisting of moneys in the Port Revenue Fund, PFC funds and other restricted and unrestricted cash were invested as part of the City’s investment program, comprising approximately 43% of the pooled moneys invested by the City Treasurer. The weighted average maturity of all investments held by the City Treasurer, including the Port Revenue Fund, as of March 31, 2017, was 181 days.

The City’s investment program is governed by an investment policy (the “Investment Policy”) prepared annually by the Treasury Division of the City’s Finance and Management Agency and usually adopted by the City Council in late June. The current Investment Policy was adopted on June 21, 2016. The Investment Policy provides the permitted investments, credit standards, investment objectives, oversight, trading policies and mandatory standards, and other specific constraints for the City’s investment program. The Investment Policy may be modified from time to time.

The City is in possession of Pledged Revenues (or portions thereof), and is expected to invest Pledged Revenues held in the Port Revenue Fund as part of the City’s investment program.

Other Reserve Funds. As described above under “SECURITY AND SOURCES OF PAYMENT FOR THE 2017 INTERMEDIATE LIEN BONDS – Other Funds and Accounts,” the Board has established and the Port maintains the Port Bond Reserve Fund, the Operating Reserve Fund and the Capital Reserve Fund, which are not held by the Intermediate Lien Trustee or the Senior Lien Trustee. These are internal funds of the Port funded with Port revenues (not bond proceeds) and are separate from the debt service reserve funds (including the Intermediate Lien Common Reserve Fund) established under the Intermediate Lien Master Trust Indenture. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2017 INTERMEDIATE LIEN BONDS—Intermediate Lien Common Reserve Fund.” The Board is not obligated under Senior Lien Master Trust Indenture or the Intermediate Lien Master Trust Indenture to maintain these funds and they may be revised or eliminated at any time.

Pension and Other Post-Retirement Benefit Plans

California Public Employees’ Retirements System Plan. All full time and certain other qualifying employees of the Port are eligible to participate in the Public Employees’ Retirement Fund, which is a multiple-employer defined benefit retirement plan administered by the State of California’s Public Employees Retirement System (“CalPERS”). The obligation of the Port to make payments to CalPERS to fund retirement benefits for Port employees constitutes a significant financial obligation. Retirement-related costs have increased in recent years and are expected to increase significantly in the foreseeable future. The amount of such increases will depend on a variety of factors, including but not limited to investment returns and actuarial assumptions.

For more information, see Note 9 in APPENDIX A—“AUDITED BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEARS ENDED JUNE 30, 2016 AND JUNE 30, 2015 AND INDEPENDENT AUDITORS’ REPORT.”

Port employees participate with other departments of the City in the Miscellaneous Plan of the City of Oakland (the “Miscellaneous Plan”) administered by CalPERS. The Port’s proportionate share of the Miscellaneous Plan is determined based on the Port’s employer contributions divided by the total employer contributions for a particular measurement period. For Fiscal Year ended June 30, 2016, the Port’s proportionate share of the Miscellaneous Plan was 24.8%. The Miscellaneous Plan provides retirement, disability and death benefits based on the employee’s years of service, age and compensation. The Miscellaneous Plan is a contributory plan deriving funds from employer contributions as well as from employee contributions and earnings from investments.

CalPERS prepares annually an actuarial valuation of the Miscellaneous Plan as of June 30th of the Fiscal Year ended approximately 15 months before the actuarial valuation is prepared (thus, the actuarial valuation delivered to the Port in August 2016 was as of June 30, 2015). Included in the actuarial valuation is the employer annually required contribution. CalPERS rules require the Port to pay the employer annually required contribution. The employer contribution rates were historically expressed as a percentage of CalPERS-eligible payroll for the Fiscal Year immediately following the Fiscal Year in which the actuarial valuation is prepared (thus, the employer contribution rates based on the actuarial valuation as of June 30, 2015, which was prepared in Fiscal Year 2017, are for the Fiscal Year 2018). Beginning with Fiscal Year 2018, the employer’s normal costs are expressed as a percentage of CalPERS-eligible payroll, and required contributions toward the plan’s unfunded liability are expressed as a fixed dollar amount. This change is meant to address potential funding issues that could arise from a declining payroll or reduction in the number of active members in the plan.

The Fiscal Year 2018 annual employer contribution rate and unfunded liability contribution are calculated based on many assumptions, including a discount rate of 7.5% (compounded annually and net of expenses), an inflation rate of 2.75% (compounded annually), overall payroll growth of 3.0% (compounded annually) and salary increases of 3.2% to 12.2% depending on employee age and service time. As described below under “—Prospects,” after the date of the last actuarial valuation, the assumed discount rate has been reduced from 7.5% to 7.0%.

Port employees are required to contribute 6.75 - 8% of their annual CalPERS-eligible earnings to the Miscellaneous Plan. See “—Pension Reform” below for additional information.

The Port makes additional replacement benefit contributions on a pay go basis to CalPERS on behalf of certain high-earning employees who have retired and are eligible for pension benefits exceeding specific IRS funding limits. In Fiscal Year 2016, the Port made and recognized as operating expenses replacement benefit contributions of \$0.4 million. The Port also makes annual fixed payments to CalPERS on behalf of certain employees who were reclassified from the Miscellaneous Unit to the Safety Unit for a period of time during the employment at the Port. See Note 9 in APPENDIX A—“AUDITED BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEARS ENDED JUNE 30, 2016 AND JUNE 30, 2015 AND INDEPENDENT AUDITORS’ REPORT” for more information.

In Fiscal Year 2016, the Port made pension contributions to CalPERS totaling \$16.8 million. Fiscal Year 2017 pension contributions are budgeted at \$20.1 million and Fiscal Year 2018 pension contributions are anticipated to be budgeted at approximately \$21.5 million.

Additional information regarding CalPERS can be found at www.calpers.ca.gov. No information contained on or that can be accessed through the CalPERS website is incorporated by reference into this document.

Funding Status. As of June 30, 2015, the date of the most recent actuarial valuation report, the market value of the assets (“MVA”), in which the Port and other departments of the City participate, was

\$1.7 billion, and the actuarial accrued liability was approximately \$2.4 billion (as compared to approximately \$1.7 billion and \$2.3 billion, respectively, as of June 30, 2014). The Miscellaneous Plan was approximately 70.2% funded (on an MVA basis) as of June 30, 2015, as compared to approximately 72.7% as of June 30, 2014. The unfunded actuarial accrued liability of the Miscellaneous Plan (on an MVA basis) was approximately \$717.8 million as of June 30, 2015, as compared to approximately \$639.8 million as of June 30, 2014. As of June 30, 2015, approximately 24.8% of the accrued liability of the Miscellaneous Plan is allocable to Port employees, and is therefore the responsibility of the Port. As of June 30, 2016, the Port recognized a net pension liability of \$177.2 million on its balance sheet.

Prospects. In the June 30, 2015 actuarial valuation of the Miscellaneous Plan, the normal cost is projected to remain at 11.1% of CalPERS-eligible payroll through the projection period of Fiscal Year 2023, and the unfunded accrued liability contribution will increase from \$55.4 million in Fiscal Year 2018 to \$90.4 million by Fiscal Year ended June 30, 2023. As of June 30, 2015, approximately 24.8% of the accrued liability of the Miscellaneous Plan is allocable to Port employees, and is therefore the responsibility of the Port.

At a December 21, 2016 meeting, the CalPERS Board of Administrators voted to lower the CalPERS discount rate assumption, or the rate of investment return the pension fund assumes, from 7.50% to 7.00% over the next three years. Lowering the discount rate means plans will see increases in both the normal costs (the costs of pension benefits accruing in one year for active members) and the unfunded accrued liabilities. The fiscal impact of these increases will be higher annual employer contribution costs beginning in Fiscal Year ending June 30, 2019. For Fiscal Years ending June 30, 2019, to 2025, the employer's normal cost is projected to increase to approximately 11.35% to 14.1%, and unfunded accrued liability payments are expected to increase an additional 2% and phasing over such period to as high as 40%, in comparison to the projections provided in the June 30, 2015 actuarial valuation of the Miscellaneous Plan. For financial reporting purposes, the increase in net pension liability due to such change in an assumption will be amortized over the expected average remaining service lifetime (EARSL) of the Miscellaneous Plan's members and recognized as pension expense beginning Fiscal Year 2019. As of June 30, 2016, the Miscellaneous Plan's EARSL was estimated at 2.9 years.

Pension Reform. On August 31, 2012, the California Legislature passed AB 340, the California Public Employees' Pension Reform Act of 2013. The bill, among other things, provides for greater cost-sharing of pension costs by employees, increases the retirement age for new employees, prohibits pension spiking, caps pensionable income for new employees, further restricts the ability of retirees to work for an employer in the same retirement system, eliminates retroactive benefit increases, prohibits the purchase of unqualified service credit, prohibits pension holidays and requires forfeiture of pension benefits upon certain felony convictions.

Other Post-Employment Benefits. The Port provides certain lifetime medical, dental and vision coverage for eligible retirees and their dependents ("OPEB"). In accordance with the provisions of GASB Statement No. 45, the Port is required to quantify and disclose its obligations to pay OPEB to current and future retirees. GASB Statement No. 45 does not impose any requirement on the Port to pre-fund its OPEB actuarial accrued liability; however, the Port funded its annual required contribution in Fiscal Year 2009 and for Fiscal Years 2011 through 2016 by depositing funds to CalPERS's California Employer's Retiree Benefit Trust Fund (the "CalPERS Trust"). According to information provided by the CalPERS Trust, the CalPERS Trust is an investment vehicle that can be used by all California public employers to pre-fund future retiree health and OPEB costs. According to the CalPERS Trust, total assets under management in the CalPERS Trust were approximately \$2.1 billion as of June 30, 2016.

See also Note 10 in APPENDIX A—“AUDITED BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEARS ENDED JUNE 30, 2016 AND JUNE 30, 2015 AND INDEPENDENT AUDITORS’ REPORT” for more information.

Based on the most recent valuation of these benefits and as summarized in the most recent actuarial report that the Port has received with respect to its OPEB, as of June 30, 2015, the actuarial accrued liability of the Port was approximately \$157.4 million, the actuarial value of plan assets was approximately \$47.9 million, the unfunded actuarial accrued liability was approximately \$109.5 million and the funded ratio was 30.4%. The actuarial report is based on several assumptions regarding demographic and economic matters, including an assumed discount rate of 7.00%, and increases to healthcare costs ranging from 2.75% to 8.25%.

For Fiscal Year 2016, the Port paid approximately \$13.7 million for OPEB, of which approximately \$6.3 million was contributed to the CalPERS Trust. The Port has budgeted approximately \$13.7 million for OPEB for Fiscal Year 2017. Fiscal Year 2018 OPEB contributions are anticipated to be budgeted at approximately \$14.2 million.

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. This statement is intended to make OPEB accounting and financial reporting consistent with the pension standards, including the requirement to recognize a net OPEB liability on the Statement of Net Position. This statement is effective for Fiscal Year 2018. The Port is currently evaluating the impacts Statement No. 75 will have on its financial statements.

Tidelands Trust Properties

Most of the property on which the Airport, the Seaport and Commercial Real Estate are located is owned by the City and, pursuant to the Charter, is controlled and managed by the Port, subject to a trust imposed pursuant to more than a dozen tideland grants from the State. These grants date back as far as 1852. Property acquired by the Port subsequent to these grants with trust funds is also encumbered by the Tidelands Trust (the “Trust”).

Certain requirements and restrictions are imposed by the grants. Generally, the use of lands subject to the Trust is limited under the terms of the grants to Statewide public purposes, including commerce, navigation, fisheries and other recognized uses. The Port may not sell any of the granted lands, except under certain limited circumstances, nor lease them for periods of more than 66 years. There are also certain limitations on the use of funds generated from the Trust lands and Trust assets. Trust-generated funds may be transferred to the City’s General Fund only for Trust purposes as opposed to general municipal purposes. All amounts in the Port Revenue Fund in effect constitute funds subject to the Trust. None of the various restrictions on Trust funds is expected to adversely affect the operations or finances of the Port.

These tidelands grants and Trust assets may be subject to amendment or revocation by the State legislature, as grantor of the Trust and as representative of the beneficiaries (the people of the State). Under applicable law, any such amendment or revocation may not impair the accomplishment of Trust purposes, or impair the existing covenants and agreements between the Board and the Board’s bondholders.

Port Payments to the City

The Port makes the following types of payments to the City pursuant to several memoranda of understanding:

Special Services. Payments for Special Services, including certain police services in the Maritime area and Jack London Square, and other administrative services provided by the City, are treated as a cost of Port operations pursuant to City Charter Section 717(3) Third Purpose and have priority over certain other expenditures of Port revenues. These payments are included as “Operating Expenses” in the Port’s budget. Special Services expenses for Fiscal Year 2016 were approximately \$1.1 million. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2017 INTERMEDIATE LIEN BONDS—Flow of Funds Under the City Charter.”

ARFF. Payments for aircraft reserve firefighting services (“ARFF”) at the Airport are treated as a cost of Port operations pursuant to City Charter Section 717(3) Third Purpose and have priority over certain other expenditures of Port revenues. ARFF expenses in Fiscal Year 2016 were approximately \$5.7 million. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2017 INTERMEDIATE LIEN BONDS—Flow of Funds Under the City Charter.”

General Services and Lake Merritt. General Services are those services that are provided throughout the City, which include police, fire, street and traffic maintenance in the Port Area. Services that are provided specifically to the Port and not throughout the City are considered Special Services and not included in the methodology for calculating General Service payments. In general, the General Service payments are calculated based on a proration of the cost of each General Service that is provided on unleased Port property in the Port Area to the total land area on which the General Service is provided. Lake Merritt payments reimburse the City for maintenance expenditures made from City funds for Lake Merritt tidelands trust purposes. General Services payments and Lake Merritt payments are made pursuant to City Charter Section 717(3) Ninth Purpose. In Fiscal Year 2016, General Services expenses were \$0.7 million and Lake Merritt expenses were \$1.6 million. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2017 Intermediate Lien Bonds—Flow of Funds Under the City Charter.”

In addition, the Port pays City Treasury management fees to the City and makes certain payments to the City’s Landscaping and Lighting Assessment District, as well as other miscellaneous services. The Port is a participant in the Jack London Business Improvement District (“JLID”), and pays a proportional share, based on acreage owned within the area included in the JLID to the City for certain services related to streetscape cleaning, litter removal, and other related services. The Port also leases various parcels of land to the City for a *de minimis* amount.

Future Payments. Any new payment to the City by the Port for any services provided by the City, or for other purposes, must comply with federal legal requirements for the use of airport revenues, the State’s requirements regarding the use of the State’s tidelands trust revenues and the Charter’s requirements regarding the use of Port revenues. Any new or additional payments to the City, whether for services or for other purposes, will decrease the internally-generated funds available to the Port for operating and capital expenses and may increase the amount the Port must borrow to fund capital projects or cause the Port to reduce the projects in the CIP. The Port cannot predict what additional payments, if any, it may be required to make to the City in the future.

Debt Policy

On March 9, 2017, the Board adopted the Port's debt policy. The debt policy identifies debt management objectives and provides a basis for the determination for when and what type of debt that may be issued. The Port's debt policy is subject to future amendments. This policy does not authorize the issuance of any debt and any debt issuance to finance or refinance capital project expenditures must be authorized by the Board under separate Board action. The failure of the Port to comply with any provision of its debt policy shall not affect the authorization of the validity or enforceability of the 2017 Intermediate Lien Bonds, or any other bonds or other forms of indebtedness that are otherwise issued in accordance with the law.

Risk Management and Insurance

Contractual Requirements. The Port imposes certain risk transfer requirements on Port tenants, vendors and contractors. Generally, the Port requires that entities doing business with the Port must defend and indemnify the Port from losses arising out of that entity's activities and/or products. The Port establishes insurance provisions in contracts that require tenants, vendors and contractors to maintain specified levels of insurance coverage in order to ensure the entities are financially responsible and generally able to honor the obligations assumed in the indemnity/hold harmless provisions of their agreements with the Port.

Insurance. The Port purchases commercial insurance policies to cover catastrophic and other losses that cannot prudently be assumed by the Port. These policies include specialty commercial general liability, excess liability, airport liability, general property including terrorism, business interruption and cyber, automobile liability (and additionally, insurance covering physical damage to Airport buses and shuttles), public officials' errors and omissions including employment practices liability, fiduciary liability, fidelity bond, crane physical damage including earthquake and terrorism, earthquake damage at the Port's administration building, excess worker's compensation and environmental liability. From time to time, the Port may change the types and limits of insurance coverage that it carries based on a variety of factors, including commercial availability. However, the Intermediate Lien Master Trust Indenture requires that the Board maintain insurance (which may include self-insurance) with respect to the Port's facilities and maintain public liability insurance, in each case in such amounts and against such risks as are, in the judgment of the Board, prudent and reasonable taking into account, but not being controlled by, the amounts and types of insurance provided by similar ports. The Port does not carry insurance protecting against earthquake damage to facilities, other than the Port-owned container cranes, the Port's headquarters building and certain electronic data systems throughout Port facilities. The limits of such insurance for earthquake damage are lower than the total replacement value of the assets covered. See "INVESTOR CONSIDERATIONS—Seismic Activity." In addition, the insurance policies maintained by the Port generally contain deductibles or self-insured retention and specified coverage limits and may not cover the total cost of damage produced by all events that may occur.

OCIP. The Port has established an Owner-Controlled Insurance Program ("OCIP") to manage the insurance risk of public works projects at the Port. The OCIP provides general liability, employers' liability and statutory workers' compensation insurance to contractors working on capital projects involving construction at the Port. The OCIP is an alternative to the Port relying on insurance provided by the contractors.

In addition, the Port carries the following policies to supplement the OCIP: contractors' pollution legal liability; and owner's protective professional indemnity providing protection to the Port for losses arising out of professional services in excess of the contractor's own professional liability insurance. The

Port currently requires that its contractors provide their own builder's risk insurance. The Port may change the policies it carries to supplement the OCIP in the future.

Audits and Compliance Reviews

At all times, including the date of this Official Statement, there are audits and compliance reviews that arise in the normal course of the Port's activities. Such audits and compliance reviews may relate to any activity at the Port, and may be conducted by persons within or outside the Port, including but not limited to the Port's internal Office of Audit Services, granting agencies (such as the FAA), and a variety of other federal, state and local governmental agencies. The Port is not aware of any pending audit or review concerning matters that are likely to have a material adverse effect on its ability to pay the principal of, premium, if any, and interest on the 2017 Intermediate Lien Bonds when due.

Environmental Compliance

The Port is required to comply with numerous federal, state and local laws, regulations, permits, orders and other requirements, which are referred to collectively as "environmental requirements" designed to protect the human and natural environment, human health and safety and to inform the public of important environmental issues and potential impacts of Port activities. The basic environmental assessment laws are the federal National Environmental Policy Act ("NEPA") and the California Environmental Quality Act ("CEQA"). NEPA requires consideration and disclosure of the environmental impacts of projects or actions that are approved, funded or carried out by federal agencies, while CEQA establishes similar requirements for projects or actions that are approved, funded or carried out by State or local agencies, including the Port.

Federal environmental requirements applicable to the Port include, without limitation, those that govern hazardous waste and materials, toxic substances, water quality (including, storm water), dredged material, air quality, and endangered species. The federal agencies that enforce these laws include, without limitation, the U.S. EPA and the United States Army Corps of Engineers. The Port also must comply with many State environmental requirements, including, without limitation, those that govern hazardous waste and materials, storage tanks, development along the shoreline, water quality, air quality, and climate change. The State has delegated enforcement authority to the Alameda County Health Care Services Agency, Department of Environmental Health in a number of situations relating to underground storage tank clean-up and other matters. Alameda County is the Certified Unified Program Agency for the purpose of regulating certain hazardous materials issues within the City, including the Port Area. Where the State has not delegated authority, various State agencies enforce these laws, including without limitation, the California Environmental Protection Agency, Department of Toxic Substances Control; the State Water Resources Control Board; CARB; the Bay Area Air Quality Management District; the San Francisco Bay Conservation and Development Commission; and the Regional Water Quality Control Board, San Francisco Bay Region.

In addition to complying with environmental requirements directly applicable to the Port, the Port monitors laws and regulations that may affect Port tenants, customers, and other users of the Port (collectively, "business partners") to determine if the costs of compliance could affect the Port's levels of activity and therefore its revenues or expenses. For example, in recent years, a number of regulations have been promulgated, primarily by the CARB, to address emissions of air pollutants from mobile sources associated with goods movement, including, but not limited to, cargo handling equipment, ships, and trucks. While these regulations may not directly apply to the Port or require the Port to take actions to ensure compliance, where appropriate and feasible, the Port may support its business partners, financially or otherwise, in complying with regulations, undertaking related projects, or designing compliance programs.

A significant portion of the Port's property has been used in the past for a variety of industrial and commercial purposes. Some of these former uses have left behind environmental contamination in the soil and groundwater. The Port's financial statements include accrued liabilities, which are established, reviewed and adjusted periodically, based on new information, in accordance with applicable accounting standards, for the estimated costs of compliance with environmental requirements and remediation of known contamination. As of June 30, 2016, the Port estimated that its contingent environmental liabilities amounted to approximately \$15.1 million. The Port does not set aside funds to pay for such liabilities. The Port will likely discover additional environmental liabilities in the future, and the costs may be significant, decreasing the internally generated funds available to the Port for operating and capital expenses. Payment of these costs may, in turn, increase the amount the Port must borrow to fund capital projects or cause the Port to reduce the number and scope of projects in the CIP.

Social Responsibility

The Port has developed a number of programs designed to make the Port's activities socially responsible to the communities served by the Port.

Local Business Utilization Policy. The Board adopted a Non-Discrimination and Small/Local Business Utilization Policy ("NDSLBU") in 1997 to enable local and small local businesses to compete more effectively for participation in Port public works, consulting, and procurement contracts. To achieve this goal, the Port allocates preference points to Port-certified small and local businesses in the award of contracts. In addition, the NDSLBU provides for the establishment of small local business support programs, which may include technical assistance programs, bonding programs, prompt payment programs, and advisory or training programs.

Disadvantaged Business Enterprise Program in Public Works and Concessions. The Port is committed to ensuring the participation of Disadvantaged Business Enterprises ("DBEs") in Port federally funded contracting opportunities in accordance with 49 Code of Federal Regulations Part 26, effective March 4, 1999, as may be amended. It is the policy of the Port to ensure nondiscrimination on the basis of race, color, sex, or national origin in the award and administration of the U.S. Department of Transportation assisted contracts. It is the intention of the Port to create a level playing field where DBEs can compete fairly for federally funded construction and professional services contracts.

Furthermore, the Port encourages, supports and promotes the participation of Airport Concession Disadvantaged Business Enterprises ("ACDBEs") in concession-related opportunities at the Oakland International Airport in accordance with 49 Code of Federal Regulations Part 23, effective April 2005, as may be amended. Similar to the DBE program, it is the policy of the Port to ensure that ACDBEs have an equal opportunity to receive and participate in concession opportunities.

Living Wage and Labor Standards. On March 5, 2002, the voters in the City passed Measure I, adding to the City Charter Section 728 ("Section 728") entitled "Living Wage and Labor Standards at Port-assisted Businesses." Section 728 requires Port Aviation and Maritime businesses that meet specified minimum threshold requirements to pay all nonexempt employees a "Living Wage" rate established by City Ordinance and adjusted annually based on the Consumer Price Index for the San Francisco, Oakland and San Jose area. Specifically, Section 728 applies to Port contractors and financial assistance recipients with the Aviation or Maritime divisions that have contracts worth more than \$50,000 and that employ more than 20 employees who spend more than 25% of their time on Port-related work. The Board has adopted a resolution extending coverage of Section 728 to Aviation and Maritime Division tenants that have month-to-month tenancy.

The Living Wage rate as of July 1, 2016 is at least \$12.93 per hour with credit given to the employer for the provision to covered employees of health benefits, and \$14.86 without credit for the provision of health benefits. Section 728 provides covered employers with incentives to provide health benefits to employees, establishes a worker retention policy, requires covered employers to submit quarterly payroll reports to the Port and requires covered employers to allow Port representatives access to payroll records in order to monitor compliance and to allow labor organization representatives access to workforces during non-work time and on non-work sites.

Project Labor Agreement. As discussed under “CAPITAL PLANNING AND CAPITAL PROJECTS—Other Issues Affecting the Port’s Capital Projects—Project Labor Agreements,” Davillier-Sloan Inc., on behalf of themselves and the Port, and certain labor unions, entered into Maritime and Aviation Project Labor Agreement (“MAPLA”).

CAPITAL PLANNING AND CAPITAL PROJECTS

Capital Planning

The Port maintains a 5-Year CIP, which consists of anticipated expenditures and funding sources for capital projects the Port plans to undertake over the next five years. Capital improvements included in the Port’s current CIP are limited to the highest priority items, primarily those focused on regulatory compliance, life and safety-related improvements, and revenue maintenance. The CIP does not currently include significant capacity expansion projects. Furthermore, staffing and funding constraints limit the amount of capital projects that can be completed at any one time.

The current CIP includes projects in the preliminary planning stage, and therefore the scope, cost, and schedule for such projects are subject to change. For projects that are underway, the scope, cost and schedule may also be revised, through the normal course of project implementation and project management. The variance from the cost estimates shown in Table 23 could be material and may result in the Port issuing additional indebtedness, including Senior or Intermediate Lien Bonds, than currently anticipated, or not undertaking certain projects. The failure to complete certain projects included in the CIP could significantly affect projected Port revenues.

The Port updates the CIP annually as part of its budgeting process. Projects may be added to or removed from the CIP as the needs of the Port evolve. The Port expects it will undertake additional significant capital projects to address aging infrastructure, competitive factors and future capacity constraints, but such projects and the timing are currently too speculative to include in the Port’s current CIP.

Projects in the CIP

The amounts shown in Table 23 represent estimated costs for numerous individual projects. The CIP has a total estimated cost of approximately \$513 million, which includes estimated construction, engineering and overhead costs, and estimated allowances for cost escalation in connection with each project. The total estimated cost of the CIP exclusive of financing costs is allocated as follows:

TABLE 23
PORT OF OAKLAND
5-YEAR CAPITAL IMPROVEMENT PLAN
ESTIMATED COSTS BY DIVISION
FISCAL YEARS 2018 – 2022
(\$000s)

Aviation	\$ 379,093
Maritime	126,072
Commercial Real Estate	6,458
Support Projects	1,343
Total	\$512,966

Aviation Projects in the CIP. Aviation projects in the CIP total approximately \$379.1 million. Major Aviation projects included in the CIP are described below.

- Runway 12/30 Rehabilitation. Runway 12/30 is the Airport’s main commercial air carrier runway. At 10,000 feet in length, the runway provides sufficient landing and take-off distances to accommodate all types of commercial and air cargo aircraft. A runway pavement overlay project completed in 2001 extended the service life of the runway for an estimated 15 years; accordingly, the runway is due for a new overlay. Approximately 1,200 feet of pavement at each end of the runway received an overlay during the recently completed runway safety area project. Planning and design of the pavement overlay for the remaining portion of Runway 12/30 has been completed and construction is planned for September 2017. The project also includes lighting infrastructure upgrades and light can replacement and modifications. Operations will be accommodated by converting the parallel Taxiway Whiskey to a temporary runway and utilizing the Airport’s other runways (see “THE PORT OF OAKLAND—Aviation—Airport Facilities”) during the estimated two-week overlay construction. Extensive stakeholder coordination (airlines, cargo carriers, FAA, Airport Operations and community) has been conducted and will continue through the course of the project. The total project cost is estimated at \$68 million and FAA Airport Improvement Program (“AIP”) grants are anticipated to pay for approximately 60-75% of the costs. The CIP includes \$61.9 million of remaining project costs. As of May 1, 2017, the FAA has awarded the Port AIP grants totaling \$6 million to pay for costs associated with planning and design of the runway. Construction has been scheduled to be conducted in two stages, to match the anticipated additional AIP grant funding. The remaining AIP grant awards are anticipated to be received in June 2017. A delay in award of AIP grants is likely to delay the completion of the runway rehabilitation past September 2017.
- Airport Perimeter Dike Improvements. The perimeter dike separates the airfield from San Francisco Bay waters. Improvements are planned to protect the Airport against flood risk from severe storms, seismic events and sea-level rise, and to meet Federal Emergency Management Agency (“FEMA”) flood control standards. Design and environmental review are complete. The CIP includes \$46.4 million for the perimeter dike improvements. Approximately \$5 million of the

project costs is expected to be funded by a State Local Levee Assistance Program (“LLAP”) grant. The LLAP was created in 2006 when California voters approved Proposition 84, which provided funds for programs to evaluate and repair local levees and flood control facilities. The awarded grant expires in 2019.

FEMA has indicated that the dike is no longer accredited as providing 100-year flood protection, and the Port is planning to implement perimeter dike improvements to address this issue. Considering the Port’s plans for the Airport perimeter dike improvements, FEMA has designated the southern area of the Airport (which includes the main air carrier runway, the passenger terminal areas, and FedEx and airline support services) as “Seclusion” in FEMA’s Preliminary Flood Insurance Rate Maps (“FIRMSs”). While under “Seclusion” status, the southern area of the Airport will remain outside of the Special Flood Hazard Area. However, the Port cannot give any assurances as to how long FEMA would keep the “Seclusion” status on the southern portion of the Airport. For a discussion of the consequences of being in a Special Flood Hazard Area, see “INVESTOR CONSIDERATIONS—Uncertainties of the Aviation Industry—Regulatory Uncertainties.

- **Terminal M102 Renovations.** The Port continues to work on the renovation and retrofit of OAK’s Terminal 1 (“T1 Program”), in a phased approach. The T1 Program focuses on replacing aging infrastructure, bringing building systems up to code, and reducing life-cycle costs. The \$90 million renovation of Building M102 in Terminal 1 is expected to be completed in fall 2017. This project includes the demolition of the air traffic control tower, installation of interior seismic bracing and other infrastructure work, and redesign of the second floor administrative offices and public meeting space. The Port is seeking Leadership in Energy & Environmental Design certification for the design and construction of the Building M102 second level. The CIP includes \$17 million to complete the project. This project is being funded primarily with PFCs.
- **International Arrivals Building (IAB) Upgrades.** This approximately \$45 million project provides improvements to the reliability and functionality of the dated facility to better serve the international passenger market, including a new baggage carousel and expanded passenger processing. The project is under construction and is anticipated to be completed in December 2017. The CIP includes \$26.7 million to complete the project. This project is being funded primarily with PFCs.
- **Terminal 2 Gate Modifications.** Southwest Airlines anticipates introducing 737-800 and 737-900 aircraft into the fleet servicing OAK in the next few years. Preliminary analysis has shown that the larger aircraft can be accommodated at some of the existing gates with minor striping modifications to the aircraft gate parking position. Further modifications to accommodate larger aircraft include fuel pit modifications and replacement of passenger boarding bridges at some gates. Design of the phased improvements will be conducted during Fiscal Year 2018. The CIP includes \$20.6 million for gate modification costs and is anticipated to be funded primarily with PFCs.

Maritime Projects in the CIP. Maritime projects in the CIP total approximately \$126.1 million. Major Maritime projects included in the CIP are described below.

- **Seaport Logistics Complex.** Between calendar years 2003 and 2007, the Port received 241 acres of property that were formerly part of the OAB. Since that time, the Port has been preparing the property for development. For additional information see “THE PORT OF OAKLAND—Maritime—Maritime Facilities.” The CIP includes \$25.1 million for infrastructure improvements, including completion of the new railyard, utilities and roadways for various tenants, and site

preparation for interim uses during the phased development of the anticipated logistics complex. The Port anticipates that the construction of the logistics complex will be performed by private developers, based on market demand. See “—Other Maritime Investments” below.

- **Marine Terminals.** Approximately \$13.6 million is included in the CIP for improvements to various marine terminals. The most significant improvements include wharf upgrades for larger vessels, pile stabilization under wharves, and subsurface strengthening at ancillary properties necessary to support container and heavy equipment loads.
- **Cranes.** Approximately \$15.1 million is included in the CIP for improvements to certain cranes, including raising four cranes to serve larger vessels and upgrading the crane management system software. These expenditures are focused on the OICT, the Port’s busiest marine terminal. For crane raising, SSAT is expected to reimburse the Port for the project cost over the remaining term of the OICT lease. TraPac is also scheduled to raise cranes at its terminal in the near-term, but the Port is not participating in the cost of that work.
- **Rail Infrastructure.** The new Cool Port facility will be rail served. Development of the facility includes new rail tracks connecting the facility to the UP mainline, which the Port will perform at an estimated cost of \$12.5 million. The cost of this work is expected to be offset by grant and private developer contributions, currently estimated at a combined \$6.5 million. See “THE PORT OF OAKLAND—Maritime—Maritime Facilities” and “—Other Maritime Investments” below.
- **Maritime Security Initiatives.** The Maritime Division has seven security initiatives reflected in the CIP. The most significant are: completion of the expansion of the security fiber optic network to the former OAB, general upgrades of the Seaport surveillance system, upgrade of the Drayage Truck Registry for terminal access, and Emergency Operations Center improvements. Approximately \$7.2 million is included in the CIP for Maritime security initiatives.
- **Roadways.** Approximately \$14.4 million is included in the CIP for roadway improvements, almost exclusively for the Port’s contribution to the anticipated 7th Street Grade Separation project and related Measure BB-funded projects (see “—Other Maritime Investments” below).
- **Other.** The CIP also includes \$38.3 million for various other projects. The major projects include the Port’s cost share for dredging the federal navigation channel, power and sewer utility upgrades, reconstruction of the dike and other infrastructure at Middle Harbor Shoreline Park, and various capital equipment.

Other Maritime Investments. In addition to the expenditures outlined above, which have been included in the Port’s CIP, the Port’s tenants and business/agency partners are planning capital investments that are not included in the Port’s CIP. In particular, tenants at the Port are looking to improve their leaseholds using their own funds, and other public agencies are making infrastructure improvements within the Seaport. Projects scheduled or anticipated to be performed by other parties over the next five years include:

- The Port has entered into a long-term lease with a developer/tenant for a new cold storage facility, known as Cool Port. The tenant intends to invest approximately \$90 million. See “THE PORT OF OAKLAND—Maritime—Maritime Facilities—Maritime Support Center.”
- The Port recently entered into a new lease with TraPac for an expansion of its existing marine terminal. The tenant intends to invest approximately \$40 million.

- TraPac intends to raise cranes to accommodate larger ships, at an estimated investment of approximately \$6 million.
- Several terminals are expected, but not required, to invest in new equipment and related infrastructure, costing approximately \$100 million.
- The Alameda County Transportation Commission (“ACTC”) has allocated \$33 million of Measure BB funds for the preliminary engineering and environmental review of three Seaport projects: (1) the 7th Street Grade Separation (“GSP”) East and West segments; (2) improvements to Middle Harbor Road; and (3) the deployment of an Intelligent Transportation System in the Seaport. The 7th Street GSP would be phased, with the 7th Street GSP West segment as the first priority. ACTC intends to leverage the available Measure BB funds by seeking other funding sources, including local, state and federal grants, to complete the design and construction of the three projects. ACTC has indicated it desires to start construction of the projects within the next five years; however, the scope and schedule for these projects have not yet been finalized.

Commercial Real Estate Projects in the CIP. Commercial Real Estate projects in the CIP total approximately \$6.5 million. Projects include reconstruction of a portion of Embarcadero Road, the Port’s contribution toward environmental remediation of certain properties in the Embarcadero Cove area, and funds to facilitate tenant improvements anticipated for some older Oakland Airport Business Park and Jack London Square properties.

Support Projects in the CIP. Support projects in the CIP total approximately \$1.3 million and are primarily related to various information technology hardware and software replacements, upgrades and improvements.

Funding for Projects in the CIP

The Port expects that the CIP will be funded from a variety of sources, including AIP grants, PFCs, CFCs, maritime grants, internally-generated Port funds and CP Note proceeds. The following table shows the projected funding sources for the Port’s CIP.

**TABLE 24
PORT OF OAKLAND
5-YEAR CAPITAL IMPROVEMENT PLAN
PROPOSED FUNDING SOURCES**

**FISCAL YEARS 2018 – 2022
(\$000s)**

Aviation Grants	\$102,754
PFCs Pay-Go	49,483
CFCs	13,000
Maritime Grants/Other	12,077
Internally-Generated Port Funds ⁽¹⁾	311,365
Commercial Paper Note Proceeds	24,287
Total	\$512,966

⁽¹⁾ Includes interest earnings on deposits pending expenditure.

The Port has not yet secured all the funding for the projects in the CIP. Further, the Port can provide no assurance that anticipated grants will be received in full, that reimbursable Port costs will be reimbursed in a timely manner, or that changes in project circumstances will not preclude award or receipt of grant funds. The amount projected to be available from each funding source is based on the estimated cost of certain projects and various other assumptions. Such estimates and assumptions are subject to change. Any such changes could have an impact on the Port's plans for funding the CIP, and such changes could be material. If grants, PFCs, CFCs, and/or cash are not available as anticipated, the Port will need to use other sources of funds for these projects, such as additional CP Note proceeds, Additional Intermediate Lien Bonds, and/or Additional Senior Lien Bonds, or the Port will not undertake or complete these projects.

Project Funding Sources.

Aviation Grants. The Port anticipates that Aviation grants totaling \$102.8 million will fund portions of the CIP. Approximately \$84.4 million of AIP grants are anticipated to be available to pay for airfield related projects. The AIP provides both entitlement and discretionary grants. Entitlement grants are based on two criteria: the number of enplaning passengers and the amount of landed cargo weight. The Port was awarded AIP entitlement grants totaling \$4.4 million in FY 2016. In addition, the Port anticipates receiving approximately \$18.4 million in other grants to pay for a portion of certain non-airfield related projects.

Passenger Facility Charges. The Port anticipates that approximately \$49.5 million in PFC pay-go revenues will fund the costs of certain Aviation projects currently in the CIP. All projects that are currently under construction have FAA PFC imposition and use authority. FAA PFC imposition and use authority is needed for certain projects that are anticipated to occur later in the CIP.

Under the Federal Aviation Safety and Capacity Expansion Act of 1990, as amended and recodified, and together with the regulations promulgated thereunder (the "Federal Act"), the FAA may authorize a public agency that controls an airport to impose a PFC of \$1.00, \$2.00, \$3.00, \$4.00 or \$4.50 (the current maximum level) for each air carrier passenger (subject to certain exceptions) enplaned at an airport controlled by such public agency. PFC revenues are to be used to finance airport projects approved by the FAA, including debt service and other financing costs on bonds or CP Notes issued to finance such specific projects. The eligibility of such projects is subject to certain restrictions, including limitation on the authorized uses. The authority to collect a PFC expires once collections reach a maximum amount prescribed by the FAA. The maximum collection amount may be unilaterally increased by up to 25% by the public agency charging the PFC or otherwise increased upon approval of the FAA.

Under the Federal Act, all passenger air carriers serving an airport for which the FAA has authorized the collection of a PFC must collect such PFC at the time they sell an airline ticket to a passenger to be enplaned at the airport. The air carriers collecting a PFC on behalf of a public agency must remit the proceeds of the PFC to the public agency on a monthly basis, less any interest accrued on the investment of the proceeds of the PFC revenues they collect and \$0.11 of each PFC collected as administrative compensation.

The Port is currently collecting a PFC of \$4.50 per enplaned passenger. PFC revenue from commercial airlines during Fiscal Year 2016 was \$22.9 million. While PFC collections reflect enplaning passenger activity, the timing of collections do not always coincide with enplanement data.

Customer Facility Charges. CFCs can fund costs to finance, design and construct a consolidated rental car facility and to finance, design, construct and operate a common use transportation system. The Port's primary use of CFCs is to fund the operating costs for common use rental car busses for which the Port has special authority to do through December 31, 2018. See "THE PORT OF OAKLAND—

Aviation—Major Sources of Revenues—Rental Car Payments and Customer Facility Charges.” CFCs are assumed to continue past the current legislative expiration date. In the CIP, \$13 million of CFCs are assumed to fund capital costs.

Maritime Grants/Other. In the CIP, the Port expects to receive a total of approximately \$4.6 million in grant funding for security projects, \$6.5 million as reimbursement from grants and the private developer for improvements undertaken by the Port related to the Cool Port, and \$1 million for miscellaneous projects.

Internally-Generated Port Funds. Approximately \$311.4 million of cash on hand and cash generated from future operations is assumed and applied to the CIP.

Commercial Paper Note Proceeds. Based on the current CIP, the Port projects issuing approximately \$24.3 million of commercial paper notes to pay for projects that are PFC-eligible. The Port anticipates repaying these commercial paper notes with future PFCs over the next 5 years. However, increases in costs, decreases in PFC collections, or the addition of other PFC-eligible projects to the Port’s CIP may increase the amount of commercial paper notes necessary and a long-term financing take-out may be necessary, utilizing Additional Senior Lien Bonds or Additional Intermediate Lien Bonds.

Other Issues Affecting the Port’s Capital Projects

Project Labor Agreements. The MAPLA was entered into in 2000 by Davillier-Sloan Inc./Parsons Constructors, Inc., on behalf of themselves and the Port, and the Alameda County Building and Construction Trades Council, AFL-CIO, and their affiliated unions (collectively, the “Unions”). The MAPLA has been amended and extended several times since its inception through November 2015. In February 2016, the Port and the Unions executed a revised MAPLA for a term of five years. MAPLA currently covers most capital projects undertaken by the Aviation and Maritime Divisions and certain capital projects undertaken by the Port’s tenants. Key elements of MAPLA include an expedited dispute resolution system, uniform work rules among all project contractors, and a prohibition against strikes and lockouts by all signatories to the MAPLA. Additionally, the Unions have agreed to “social justice” programs, allowing access to union membership to all workers, with a preference for workers within the Port’s Local Impact Area of Oakland, Alameda, Emeryville, and San Leandro, and development of training and employment programs for local area residents. The Unions have also committed to hire workers from disadvantaged backgrounds and delivering more apprentices into the trades. These social justice programs are designed to ensure a skilled work force for the Port’s capital projects and increasing the number of local businesses that participate on these projects. MAPLA also provides for a labor-community-contractor governing committee that ensures that the MAPLA’s objectives are met. Bidding is not restricted to union contractors or union workers.

OCIP. The Port has established the OCIP to manage the risk of capital improvement projects involving construction at the Port. This program is described under “PORT FINANCES—Risk Management and Insurance.”

INVESTOR CONSIDERATIONS

The factors discussed below, among others, should be considered in evaluating the ability of the Board to provide for the payment of the 2017 Intermediate Lien Bonds and for other required payments. The considerations discussed below are not meant to be an exhaustive list of considerations associated with the purchase of the 2017 Intermediate Lien Bonds, and the discussion below does not necessarily reflect the relative importance of the various considerations. Potential investors are advised to consider the following factors, among others, and to review the other information in this Official Statement. Any one or more of the considerations discussed, and others, could lead to a decrease in the market value and/or the liquidity of the 2017 Intermediate Lien Bonds. There can be no assurance that other factors and considerations will not become material in the future.

Uncertainties of the Aviation Industry

The ability of the Port to generate revenues from its Airport operations depends upon demand for its Aviation facilities which, in part, depends upon the financial health of the aviation industry. The aviation industry is economically volatile and has undergone significant changes, including mergers, acquisitions, bankruptcies and closures, in recent years. The aviation industry and demand for and utilization of Port facilities are sensitive to a variety of factors, including, but not limited to, (i) general economic conditions, (ii) international trade, (iii) currency values, (iv) the cost and availability of labor, fuel, aircraft and insurance, (v) competitive considerations, including the effects of airline ticket pricing and other available airports, (vi) availability, reliability and convenience of air service at the Airport, (vii) national air traffic control and Airport capacity constraints, (viii) business travel substitutes such as teleconferencing, videoconferencing and web-casting, (ix) governmental regulation, including security regulations, travel restrictions, and taxes imposed on airlines and passengers, (x) maintenance and environmental requirements, (xi) international hostilities and political turmoil, (xi) world health concerns including an outbreak of a disease or similar public health threat, and (xii) disruption caused by airline accidents, natural disasters, criminal incidents and acts of war or terrorism, such as the events of September 11, 2001. The aviation industry is also vulnerable to strikes and other union activities.

Some airlines operating at the Airport have filed for bankruptcy protection in the past and others may do so in the future. In 2008, three airlines operating at the Airport, ATA, Aloha and Skybus, filed for bankruptcy protection and ceased operations. In 2010, Mexicana, which also served the Airport, filed for bankruptcy protection and ceased operations. Other airlines serving the Airport have filed for bankruptcy protection in recent years but have continued to operate. The potential impacts of a bankruptcy are discussed under “—Tenant/Customer Bankruptcy.” Airlines may also cease providing service at the Airport for reasons other than bankruptcy, such as when United ceased service at the Airport in June 2012. Any such cessation of service by a carrier at the Airport, particularly if the carrier is a major tenant, could have a material adverse impact on Port operations and revenues.

Regulatory Uncertainties. Development at the Airport is regulated extensively and requires a number of reviews and permits. Operations and development at the Airport are also subject to extensive federal oversight. The Port operates the Airport pursuant to an airport operating certificate issued annually by the FAA after on site review. In addition to this operating certificate, the Airport is required to obtain other permits and/or authorizations from the FAA and from other regulatory agencies and is bound by contractual agreements included as a condition to receiving grants under the federal Airport Improvement Program.

The Airport is also subject to regulation and mandates by the TSA as required by the Aviation Security Act. The TSA has required the Airport to implement security related projects and may in the future require the Airport to implement additional security-related projects, but the timing, scope and source

of funding of such projects cannot be predicted. See “THE PORT OF OAKLAND—Aviation—Other Airport Information—Security.”

In addition, the Airport is subject to regulations by FEMA relating to floodplains. FEMA is in the process of revising and publishing new flood hazard maps throughout the Bay Area. In April 2015, FEMA issued its Preliminary Flood Insurance Rate Maps (FIRMs) for Northern Alameda County, including the Airport lands. Numerous areas not previously characterized as flood hazard zones are proposed to be characterized as such by FEMA. As discussed under “CAPITAL PLANNING AND CAPITAL PROJECTS – Projects in the CIP – Aviation Projects in the CIP – Airport Perimeter Dike Improvements,” the main air carrier runway, the passenger terminal areas, FedEx and airline support services located in the southern area of the Airport was designated as under “Seclusion” status because the planned dike improvements which would resolve a potential flood hazard designation. The runways and general aviation hangars on the northern portion of the Airport are designated as being within a Special Flood Hazard Area in the Preliminary FIRMs. The FIRMs have not been finalized yet. If the FIRMs are finalized as is, then the northern portion of the Airport will be within a Special Flood Hazard Area, and the Port will be required to adopt minimum floodplain management standards, which would include certain building design restrictions, likely increases in building costs, as well as the requirement for flood insurance, to the Port and some Airport tenants and users. The Port would likely pursue additional flood mitigation projects if the FIRMS are finalized.

The Port cannot provide assurances that the cost of regulatory compliance and related activities required of the Port and/or its business partners will not negatively affect Port operations and, therefore, Port revenues and/or expenses.

Security Concerns. Terrorist acts could occur at the Airport, and if an attack occurs it could result in damage to Port facilities, in reduced traffic at the Airport, in costly increased security measures and in reductions in Port revenues. Concerns about the safety of airline travel and the effectiveness of security precautions may influence passenger travel behavior and air travel demand, particularly in light of existing international hostilities, potential terrorist attacks and world health concerns, including epidemics and pandemics. Current and future security measures may create significantly increased inconvenience, costs and delays at OAK, which may give rise to the avoidance of air travel generally and the switching from air to ground travel modes and may have an adverse material impact on Port operations and revenues.

Availability of PFC Revenues. The amount of PFC Revenues received by the Port in future years will vary based upon the actual number of PFC eligible passenger enplanements at the Airport and the level of the PFC. No assurance can be given that any level of enplanements will be realized or that the level of PFC the Port may impose will not change.

Additionally, under current law the FAA may terminate the Port’s authority to impose PFCs, subject to informal and formal procedural safeguards, if (a) PFC Revenues are not being used for approved projects in accordance with the FAA’s approval, the statutes authorizing the PFC or the regulations promulgated thereunder, or (b) the Port otherwise violates such statutes or regulations. The Port’s authority to impose PFCs may also be terminated if the Port violates certain provisions of the Airport Noise and Capacity Act of 1990 (“ANCA”) and its implementing regulations relating to the implementation of noise and access restrictions for certain types of aircraft. The regulations under ANCA also contain procedural safeguards to ensure that the Port’s authority to impose PFCs will not be summarily terminated. No assurance can be given that the Port’s authority to impose PFCs will not be terminated by Congress or the FAA, that the PFC program will not be modified or restricted by Congress or the FAA so as to reduce PFC Revenues available to the Port or that the Port will not seek to decrease the amount of PFCs to be collected.

In the event PFC revenues decline due to lower passenger enplanements, or the FAA or Congress reduce or terminate the Port's ability to impose PFCs, the Port may need to increase rates and charges at the Airport, or not undertake certain capital projects. Failure to complete certain projects in the CIP could significantly impact Port revenues.

Competitive Considerations at the Airport

Other Airports, Rail, and Market Share Concentration. SFO and SJC compete with the Airport for air carrier routes and service, passengers, and air cargo traffic, as described above under the heading "THE PORT OF OAKLAND—Aviation—Activity at the Airport—Competition." Competition from these airports could affect passenger and cargo demand and airline operations at the Airport.

In addition to facing competition from other Bay Area airports, the Airport could also face competition for passengers from passenger high-speed rail service or other newly-developed mass transit alternatives in the future. The California High Speed Rail Authority (the "CHSR Authority") is pursuing a statewide, high-speed rail system in California linking Los Angeles to the San Francisco Bay Area, with a proposed station to be located in the City. The CHSR Authority has indicated it will pursue a phased implementation of service. Groundbreaking on the initial construction segment of the project (Merced to Bakersfield) began in 2015. The CHSR Authority has a schedule that would complete all necessary work to operate trains between the Central Valley and Silicon Valley by 2025. The CHSR Authority has stated that it plans to price its rail fares below air fares. The Port is unable to predict if or when a statewide, high speed rail system will become operational between the San Francisco Bay Area and Los Angeles, or what effect such rail system would have, if any, on total passenger traffic and revenues of the Airport or whether that impact would be material.

If a major air carrier at the Airport were to shift a material portion of its operations to SFO or SJC, or were otherwise to reduce its activity at the Airport substantially, the loss of that air carrier could adversely affect the Port's financial condition. Southwest is by far the most active carrier at the Airport, accounting for approximately 69% of the Airport's total enplanements in Fiscal Year 2016. See "THE PORT OF OAKLAND—Aviation—Activity at the Airport." It is likely that the Port would experience a significant reduction in revenues, possibly for a significant time period, if Southwest or FedEx, another major revenue-generating tenant of the Airport, were to cease or significantly reduce operations at the Airport. The Port cannot provide assurances that demand for the facilities currently used by major carriers and tenants will continue to exist, nor can it guarantee that another air carrier would assume the traffic previously handled by the departing carrier, or that another lessee tenant would be willing to pay the same rent and other charges as the prior tenant, in the event of a loss of a major air carrier or other tenant.

Competition for Parking Revenues. On-Airport public parking revenue is one of the Airport's biggest sources of revenue, which is typical for many medium and large hub airports in the United States. Since parking revenue is not used to offset costs in the Airline Rates and Charges calculation, this revenue source is especially important to the Port's overall financial health. Airport parking demand and revenue trends are affected by several factors, including but not limited to origin-destination air passenger demand, trip purpose (i.e., business versus leisure), parking rates, terminal proximity, and competition from off-Airport parking facilities and other available modes of transportation such as TNCs.

The Airport competes with off-Airport public parking facilities, and the extent of such competition depends on factors such as parking capacity and rates, service and facility quality, and visibility and proximity to the Airport. Increased off-Airport parking competition places downward pressure on market rates, thus limiting the Airport's ability to increase on-Airport parking rates, and impacting revenue growth and maintenance. The availability of off-Airport parking provides competition for on-Airport parking and may impact the Port's revenues.

Uncertainties of the Maritime Industry

The Port's ability to generate revenues from its Seaport depends on demand for maritime facilities, which in turn depends, in part, upon the financial health of the maritime industry. The maritime industry is economically volatile and has undergone significant changes, including mergers, acquisitions, bankruptcies and closures, in recent years. The maritime industry, and the demand for, and utilization of Seaport facilities are sensitive to a variety of factors, including, but not limited to, (i) general economic conditions, (ii) international trade, (iii) currency values, (iv) the cost and availability of labor, fuel and insurance, (v) competitive considerations, (vi) adequacy of land-side infrastructure, (vii) governmental regulation, including tariffs and trade restrictions, (viii) maintenance and environmental requirements, (ix) international hostilities and political turmoil, (x) shipping line alliances and mergers and (xi) disruption caused by natural disasters, criminal incidents and acts of war or terrorism. The maritime industry is also vulnerable to strikes and other union activities. See "THE PORT OF OAKLAND—Maritime—Other Seaport Information—Potential Action by International Longshore and Warehouse Union." Seaport tenants and customers may file for bankruptcy protection. The impacts of a bankruptcy are discussed under "—Tenant/Customer Bankruptcy."

Larger Container Vessels. The Port's ability to generate revenues from its Seaport also depends on the Port's ability to provide facilities that can accommodate and respond to changing needs of the shipping lines that call the Seaport and the marine terminal operators that lease property from the Port to serve those shipping lines. For example, the shipping industry has quickly shifted toward the deployment of significantly larger container vessels. In 2011, the current average vessel size in the trans-Pacific trade was approximately 5,800 TEUs; in 2016, it was about 8,000 TEUs. In 2016, several vessel calls at the Seaport were made by vessels with capacities of approximately 14,000 and 18,000 TEUs. Though the Port cannot predict with certainty how ocean carriers will ultimately allocate their fleets among global trade routes, the Port expects that the larger ships will continue to call the Seaport with greater frequency. Larger vessels generally require deep water, land-side cranes with sufficient vertical and horizontal reach, longer berths, stronger bollards and fenders, and larger marine terminals, that can handle higher cargo volumes more efficiently. While the Seaport currently has 50 feet of water depth, adequate turning basins/areas, and both post and super post-Panamax cranes, Seaport facilities will need to be modified to accommodate a growing number of these larger vessels. These modifications will require significant capital investment and time to complete and could affect Port expenses beyond what has been contemplated in the FY 2018-22 CIP.

Renewal and Concentration Risk. The loss of a major Seaport tenant could adversely affect the Port's financial condition, particularly if not replaced promptly by a new tenant that is willing to lease the former tenant's space on similar or better terms for the Port. The top two Seaport sources of revenue accounted for approximately 63% of the Maritime Division's operating revenue in Fiscal Year 2016. It is likely that the Port would experience a significant reduction in revenues, possibly for a significant period, if one of its major tenants were to leave the Seaport and not be replaced. See "THE PORT OF OAKLAND—Maritime—Major Sources of Maritime Operating Revenues."

Competitive Considerations at the Seaport

As discussed above under the heading "THE PORT OF OAKLAND—Maritime," the Seaport serves a large local and regional population, and local cargo is the majority of the cargo handled at the Seaport. While the Port does face some relatively minimal competition for this local cargo from other U.S. West Coast ports, the Port faces the greatest competition for discretionary intermodal rail cargo. As such, the Port's ability to grow cargo activity at the Seaport at levels higher or faster than the general economy is challenged.

The Port competes for market share with respect to discretionary intermodal rail cargo with other U.S. West Coast ports, as well as with ports in other parts of the United States and in Canada and Mexico. Factors affecting the competitive position of West Coast ports in general, including the Seaport, could be outside of the Seaport's control. For example, the Port is monitoring the effects of the Panama Canal expansion, which could result in greater diversion of Asian imports from West Coast ports to East Coast and Gulf Coast ports. Expansion of other ports on the U.S. West Coast or elsewhere in North America could also cause a decrease in the Seaport's market share. Although the revenues of the Port may be adversely impacted by increased competition from other ports, the Port cannot predict the scope of any such impact at this time.

The availability of intermodal rail facilities is also a factor that shippers consider when selecting a port of call for discretionary cargo. The two intermodal rail yards that serve the Seaport currently have capacity to accommodate additional intermodal rail cargo. However, the Port is currently limited in its ability to increase its share of intermodal rail cargo and, in turn, its revenues because of factors such as (a) the absence of on-dock rail, (b) factors outside of the Port's control such as congestion or physical restrictions on rail segments outside the Seaport, and (c) factors outside the Port's control such as the economies of scale achieved from the very large population centers in southern California, which strongly anchor the Ports of Los Angeles/Long Beach as first ports of call on the West Coast and, in turn, the Seaport's market position as a second port-of-call. Due to the complexity of the global supply chain and the numerous factors that inform the decisions of ocean carriers about ports of call, as well as the complexities of rail development and rail corridor operations, improvements to address these types of constraints can take many years to implement.

In addition to these competitive factors, the potential imposition of fees that apply only to the Seaport or only to a subset of ports including the Seaport (such as fees that only apply at California ports), may increase the ocean carriers' or tenants' cost to use the Seaport, or may require the Port to reduce charges applicable to its tenants to moderate some or all of the impact of such fees. The Port cannot predict whether any such fees will be imposed, the amount of such fees or the impact thereof on Port revenues.

For further discussion about factors affecting the Seaport's competitive position, see "THE PORT OF OAKLAND—Maritime—Activity at the Seaport—Competition."

Maintenance of Federal Channel and Berth Depth. Due to natural sedimentation, annual dredging is required to maintain the Federal navigation channel that serves the Seaport at minus 50 feet mllw. The channel is maintained by the U.S. Army Corps of Engineers. The bathymetric surveys conducted in December 2016 indicated that the channels are at the permitted depth. The Fiscal Year 2016 Omnibus Bill and Work Plan included approximately \$15.8 million for maintaining the depth of the channel at minus 50 feet mllw. The President's proposed federal fiscal year 2017 budget contains approximately \$17.2 million for maintaining the channel; these funds have not yet been appropriated by Congress, and the Port cannot predict when or if the appropriation will occur. Due in part to an increase in dredging costs, including costs associated with the use of more distant disposal sites and sites with special operational requirements (for example, sites intended to create wetlands), the adequacy of funding for future maintenance dredging of the channel cannot be assured. If funding is not available, portions of the channel could revert to a depth of less than minus 50 feet mllw over time.

The Port is responsible to dredge the berths that serve the Seaport's marine terminals. As the cost of dredging goes up, dredging activities may consume an increasingly significant portion of the Port's capital and operating budgets, and the Port may have unanticipated expenditures that could result in an adverse impact on projected expenses. Limitations on Port funding could cause portions of berths, or entire berths, to revert to a depth of less than minus 50 feet mllw over time.

Ocean carriers that call the Seaport with newer, larger vessels may be able to navigate depths of less than minus 50 feet mllw in the channel or berths by implementing operational changes. However, if operational changes to mitigate channel and berth depth limitations are insufficient, ocean carrier service to the Seaport may be reduced. The Port is working closely with the U.S. Army Corps of Engineers and national and state port authority associations, as well as with local, state and federal government representatives and agencies, to secure stable funding for future maintenance dredging of the channel and to address the costs of berth dredging.

Potential Labor Activity

The Port's current MOUs with all four bargaining units will expire on December 31, 2017. Labor negotiations will commence in mid-to late 2017. The MOUs with the IBEW, IFPTE and WCE each contain a no strike clause in which the union agrees not to strike or engage in a job action (for example, a strike or a work slowdown due to a "work to rule" strategy or "sick out") to interfere with any Port operations during the term of the applicable MOU. The SEIU MOU does not contain a "no strike" provision. It is not possible to predict whether any job action or other labor disruption will occur as a result of labor negotiations, or how long such a disruption may last. In addition, strikes and/or pickets at the Seaport, if honored by the ILWU, the union representing most dockworkers at the Seaport, could cause additional disruption in Seaport operations. A labor disruption could have a significant adverse impact on Port operations and revenues.

Tenant/Customer Bankruptcy

A bankruptcy of a tenant or customer of the Port, including a tenant or customer at the Airport, the Seaport or at properties managed by the Commercial Real Estate Division, could result in delays, additional expense and/or reductions in payments, or even nonpayment, to the Port and thus a reduction in Intermediate Lien Pledged Revenues.

The effect of the bankruptcy of a tenant or customer on the Port's receipt of funds from the tenant or customer depends on the nature of the contractual relations between the parties, and between the Port and other tenants/customers, which may help offset losses from a bankruptcy. Briefly, the tenants and customers of the Port may acquire the ownership or use of assets either through an executory contract or lease, or through unsecured or secured debt to the Port (any such debt, a "financing device"). Bankruptcy law in the United States requires substantially different treatment for a relationship that is a financing device from the treatment given an executory contract or lease.

Executory Leases and Contracts and the Assumption/Rejection Process. If a bankruptcy court determines that an agreement with the Port is an executory contract (such as a license) or an unexpired lease of non-residential real property pursuant to Section 365 of the United States Bankruptcy Code (the "Bankruptcy Code"), the tenant/customer or its bankruptcy trustee may elect (within a limited period if it is an unexpired lease of non-residential real property) to either assume or reject the agreement. If such agreement were assumed, the affected tenant or customer would be required to cure or provide for cure of any prior defaults and, if there is a default, to provide "adequate assurance" of future performance. Even if all amounts due under such an agreement were ultimately paid, the Port could experience long delays in collecting such amounts. What constitutes "adequate assurance" is up to the bankruptcy court to decide and may not meet the Port's expectations.

If such an agreement were rejected by the tenant/customer, the required action by the tenant or customer and its rights will vary depending on the type of agreement. In the case of an unexpired lease of non-residential real property, the tenant or customer would be required to vacate the property and the Port would have an unsecured claim for damages, the amount of which would be limited to the amounts unpaid

prior to the bankruptcy plus the greater of (a) one year of rent or (b) 15% of the total remaining lease payments, not to exceed three years. In any case, the amount ultimately received on a claim in the event of rejection of an unexpired lease or executory contract could be considerably less than the notional or face value of the claim.

Financing Leases and Other Financing Contracts. No assurance can be given that a bankruptcy court would find that the Port's arrangements with its tenants and customers are executory contracts or leases. If, instead, a bankruptcy court determines that an agreement with a tenant or customer is treated as a financing device, the tenant or customer may keep and use the asset, but debt service may be suspended in whole or in part during the course of the bankruptcy; the amount of debt and payment level also may be ultimately subject to reduction or extension through a reorganization plan. The determination of the nature of a transaction is, in many cases, a fact-intensive matter not guided by form alone. Further, as a result of the disparate treatment of these common business structures, a tenant or customer in bankruptcy may vigorously contend that a "lease" or other agreement is not a true lease but a disguised financing device, so that it can decline to make periodic rental payments pending the bankruptcy court's determination of that issue.

Automatic Stay and Preference Claims. On the filing of a bankruptcy proceeding, Section 362 of the Bankruptcy Code stays virtually all creditor actions to litigate to judgment or collect on a debt, or to remove a non-paying tenant from possession. This can result in lengthy delays in the ability of a creditor to exercise its rights. Further, any payments made to the creditor within the 90 days (one year for "insiders") before bankruptcy are subject to recovery as preferential payments.

In general, therefore, risks associated with bankruptcy include risks of substantial delay in payment or of non-payment, the risk that the Port may not be able to enforce any of its remedies with respect to a bankrupt tenant or customer, the risk that the Port may have to disgorge amounts paid during the bankruptcy preference period and the risk of substantial costs of pursuing amounts in bankruptcy court.

With respect to a tenant in bankruptcy proceedings in a foreign country, the Port is unable to predict what types of orders and/or relief could be issued by foreign bankruptcy tribunals, or the extent to which any such orders would be enforceable in the United States.

Port or City Bankruptcy

The Port or the City could file for bankruptcy relief under Chapter 9 of Title 11 of the Bankruptcy Code. Should either the Port or the City become a debtor in a bankruptcy case, the lien on Intermediate Lien Pledged Revenues held by the holders of the Intermediate Lien Bonds (including the 2017 Intermediate Lien Bonds) will not apply to Intermediate Lien Pledged Revenues received by the Port after the commencement of the bankruptcy case unless a bankruptcy court determines that such Intermediate Lien Pledged Revenues are either (1) the product or proceeds of pre-petition collateral, or (2) "special revenues" within the meaning of the Bankruptcy Code. In addition, in the event that only the City, and not the Port, becomes a debtor in a bankruptcy case, the lien on Intermediate Lien Pledged Revenues held by the holders of the Intermediate Lien Bonds (including the 2017 Intermediate Lien Bonds) should be unaffected by the City's bankruptcy if a bankruptcy court determines that the Intermediate Lien Pledged Revenues are not property of the City, but instead are property of the Port.

"Special revenues" are defined to include receipts from the ownership, operation, or disposition of projects or systems that are primarily used or intended to be used primarily to provide transportation, utility or other services, as well as other revenues or receipts derived from particular functions of the debtor. No assurance can be given that a bankruptcy court would find that Intermediate Lien Pledged Revenues are "special revenues." If Intermediate Lien Pledged Revenues are not "special revenues," or, in the case of a

City bankruptcy, are determined to be property of the City, there could be delays or reductions in payments or nonpayment on the 2017 Intermediate Lien Bonds. Even if a court determines that Intermediate Lien Pledged Revenues are “special revenues,” under the provisions of the Bankruptcy Code governing “special revenues,” a bankruptcy court could permit the City or the Port to use Intermediate Lien Pledged Revenues to pay operating and maintenance costs of the Port rather than first using such amounts to make payments on the 2017 Intermediate Lien Bonds and other indebtedness, notwithstanding any provision of the Charter or the Intermediate Lien Master Trust Indenture to the contrary.

In addition, the City is in possession of the Intermediate Pledged Revenues and customarily invests such revenues held in the Port Revenue Fund as part of the City’s investment program as described under “PORT FINANCES—Investments.” Should the City initiate a case for bankruptcy protection, a court could hold that the holders of the 2017 Intermediate Lien Bonds and other Intermediate Lien Bonds do not have a valid lien on the portion of the Intermediate Lien Pledged Revenues invested as part of the City’s investment program unless the holders could trace the invested Intermediate Lien Pledged Revenues. In such case, if the Intermediate Lien Pledged Revenues could not be traced, the holders of the 2017 Intermediate Lien Bonds would be unsecured creditors of the City with respect to such Intermediate Lien Pledged Revenues. In addition, even if the holders of the 2017 Intermediate Lien Bonds ultimately received the Intermediate Lien Pledged Revenues, receipt might be only after a significant delay and expense. Conversely, in the case of a bankruptcy proceeding of the Port, as a result of the joint investment of Intermediate Lien Pledged Revenues with other funds of the City, if the invested Intermediate Lien Pledged Revenues could not be traced, a court could hold that the jointly invested Intermediate Lien Pledged Revenues are not property of the Port.

It is also possible that a bankruptcy court could determine that the Port and the City constitute a single entity for bankruptcy purposes, such that a bankruptcy of the City would also constitute a bankruptcy of the Port. If the Port were considered bankrupt as a result of a City bankruptcy, the holders of the Intermediate Lien Bonds (including the 2017 Intermediate Lien Bonds) would still be entitled to the benefit of their lien on Intermediate Lien Pledged Revenues received by the Port prior to the commencement of the City’s bankruptcy case, and would also be entitled to the benefit of their lien on Intermediate Lien Pledged Revenues received by the Port after the commencement of the City’s bankruptcy case as long as such Intermediate Lien Pledged Revenues were determined by the bankruptcy court to be “special revenues.” No assurance can be given that a bankruptcy court would find that Intermediate Lien Pledged Revenues are “special revenues.”

A bankruptcy of the City would trigger events of default under certain agreements of the Port, including the Senior Lien Master Trust Indenture, the CP Indentures and the reimbursement agreements relating to the CP Letters of Credit.

In summary, a Port or City bankruptcy may result in nonpayment or delay, uncertainty, reductions and/or other effects on the payments due to holders of the 2017 Intermediate Lien Bonds, which cannot be predicted.

Cyber-Security

Computer networks and data transmission and collection are vital to the efficient operations of the Port. The Port and the operators of facilities within its facilities collect and store sensitive data, including intellectual property, security information, proprietary business information, information regarding customers, suppliers and business partners, and personally identifiable information of customers and employees. The secure processing, maintenance and transmission of this information is critical to industry operations. Despite security measures, information technology and infrastructure may be vulnerable to attacks by hackers or breached due to employee error, malfeasance or other disruptions. Any

such breach could compromise networks and the information stored there could be disrupted, accessed, publicly disclosed, lost or stolen. Any such disruption, access, disclosure or other loss of information could result in disruptions in the efficiency of commerce, legal claims or proceedings, liability under laws that protect the privacy of personal information, regulatory penalties, disruptions in operations and the services provided, and cause a loss of confidence in the commercial operations of industries including Airport and Maritime operations, which could ultimately adversely affect Port revenues.

Environmental Compliance and Impact

The Port is required to comply with numerous federal, state and local laws and regulations designed to protect the human and natural environment, human health and safety, and to inform the public of important environmental issues and potential impacts of Port activities. The Port is also directly or indirectly affected by certain laws, regulations and State orders, including, without limitation, air quality regulations and storm water regulations. These laws are discussed under “PORT FINANCES—Environmental Compliance.”

The standards for required environmental impact review and for compliance under several state and federal laws and regulations are becoming more rigorous and complex. Permits issued to the Port under such laws and regulations may be frequently amended, often resulting in more stringent and more costly requirements and uncertainty about the scope of the Port’s future obligations and associated costs. For example, the Port is now required to comply with the storm water regulations applicable to non-traditional municipal entities. It remains difficult to predict the long-term costs associated with adapting the Port’s existing and future infrastructure and facilities to the new storm water regulations.

These types of changes may result in increased compliance costs that, in turn, significantly delay or affect the Port’s efforts to maintain and repair existing infrastructure or to construct additional revenue-generating infrastructure. Additionally, the costs to mitigate environmental impacts, such as impacts to jurisdictional wetlands, obtain regulatory approvals, and manage potential legal or procedural challenges for such projects may result in substantial increases to total project costs and delays in completing the projects. Air quality regulations that directly or indirectly impact the Port may result in the Port’s having to, or desiring to, expend funds to assist the Port’s business partners in complying with various regulations. The Port may also incur costs to implement other air quality improvement projects consistent with its Maritime Air Quality Improvement Plan (MAQIP) and future air quality plans. Finally, the State of California has recently established aggressive new standards to reduce greenhouse gas emissions, which may also increase costs to the Port.

Costs associated with these compliance and related activities may consume an increasingly significant portion of the Port’s capital and operating budgets, and the Port may have unanticipated capital or operating expenditures. In addition, for projects with forecasted costs, the Port cannot provide assurances that the actual cost of the required measures will not exceed the forecasted amount. The Port also cannot provide assurances that the cost of compliance and related activities required of the Port and/or its business partners will not negatively affect Port operations and, therefore, Port revenues and/or expenses.

Additional environmental laws and regulations may be enacted and adopted in the future that could apply to the Port or its business partners, which could result in an adverse impact on projected revenues or expenses. The Port is not able to predict with certainty what those laws and regulations may be or the impacts to the Port or its business partners of compliance with such laws and regulations.

Also, certain individuals, organizations and/or regulatory agencies may seek other legal remedies to compel the Port to take further actions to mitigate perceived or identified environmental impacts and/or health hazards or to seek damages in connection with the potential environmental impacts of the Port’s

Seaport, Airport, and Commercial Real Estate activities. The Port has undertaken a number of initiatives over the years to address potential concerns, including without limitation adoption of the MAQIP in April 2009. Nonetheless, there is a risk that, despite the Port's adopted environmental plans, mitigation programs, and policies, legal action challenging the Port could ensue. Such legal action could be costly to defend, could result in substantial damage awards against the Port, and could curtail certain Port developments or operations.

Future Regulation of the Electric Utility Industry

The electric utility industry is subject to continuing legislative and administrative reform. States, including the State of California, routinely consider changes to the way in which they regulate the electric industry. A number of bills affecting the electric utility industry have been introduced or enacted by the California Legislature. In general, these bills are aimed at reducing greenhouse gas emissions. The bills set targets for environmentally-friendly generation alternatives through more stringent renewable resource portfolio standards and incentivize greater investment in energy-efficient technology. Recently, both further deregulation and forms of additional regulation have been proposed for the industry, which has been highly regulated throughout its history. The Port is unable to predict whether the industry will become more or less regulated, whether any regulatory changes will apply to the Port, or the impact of complying with any future legislation or regulatory proposals on the operations and finances of the Port.

Contingent Payment Obligations

The Port has entered into, and may in the future enter into, contracts and agreements in the course of its business that include an obligation on the part of the Port to make payments or post collateral contingent upon the occurrence or nonoccurrence of certain future events, including events that are beyond the direct control of the Port. Such contracts and agreements may include power purchase agreements, including those with "mark to market" collateral posting requirements; commodities futures contracts with respect to the delivery of electric energy or capacity; investment agreements, including for the future delivery of specified securities; energy price swap and similar agreements; other financial and energy hedging transactions; interest rate swap and other similar agreements; and other such contracts and agreements. The purposes for such contracts and agreements may include management of the Port's exposure to future changes in interest rates and market energy prices, management of the Port's load/resource balance, and other purposes. Such contingent payments or the required posting of collateral may be conditioned upon the future credit ratings of the Port and/or other parties to the agreements, maintenance by the Port of specified financial ratios, future changes in electric energy or related prices, and other factors.

Risks Associated with Power Purchase Agreements

With any power purchase agreement, there are counterparty risks, including the risk that the counterparty will default on the terms of the agreement. The results of such defaults generally result in the Port purchasing power from the spot market when the Port does not receive its expected electricity. In cases where the Port enters into joint agreements as one of several participants, there is the possibility that, if a participant defaults, the non-defaulting participants, including the Port, would be generally liable for a percentage share of the obligations of the defaulting participant(s). Whether the Port purchases a long-term power purchase agreement or a shorter-term forward contract, the Port is exposed to the risk that the price of the agreement is over-valued or in the case of a counterparty default, the market price for replacement power could be higher.

Seismic Activity

The Bay Area's historical level of seismic activity and the proximity of the Port's facilities to a number of significant known earthquake faults (including most notably the San Andreas Fault and the Hayward Fault) increases the likelihood that an earthquake originating in the region could destroy or render unusable for a period all or a portion of the Port's facilities, thereby interrupting the collection of revenues for an undetermined period of time.

An earthquake originating outside the immediate Bay Area could have an impact on the operations of the Port. On October 17, 1989, the Bay Area experienced the effects of the Loma Prieta earthquake that registered 7.1 on the Richter Scale. The epicenter of the earthquake was located in Loma Prieta approximately 72 miles south of the City in the Santa Cruz Mountains. On August 24, 2014, a 6.0-magnitude earthquake occurred near Napa, California, which is approximately 43 miles to the north of the City.

Research conducted since the 1989 Loma Prieta earthquake by the United States Geological Survey concludes that there is a 70% probability of at least one magnitude 6.7 or greater earthquake, capable of causing wide-spread damage, striking the Bay Area before 2030. Major earthquakes may occur at any time in any part of the Bay Area. An earthquake of such magnitude with an epicenter in sufficiently close proximity to the Bay Area could result in substantial damage.

It is possible that the Port could sustain significant damage to its facilities as a result of a major seismic event from ground motion and liquefaction of underlying soils or from a tsunami generated by local or distant seismic activity. The Port currently does not (and Port tenants likely do not) maintain commercial insurance coverage for property damage resulting from earthquakes other than insurance covering portions of the Port-owned marine terminal container cranes, the Port's headquarters building and certain electronic data systems throughout Port facilities. The Port currently has no plans to obtain additional earthquake insurance, and may reduce or eliminate coverage in the future. Further, even for events that are covered by insurance, the Board cannot guarantee that insurers will pay claims in a timely manner or at all.

In addition, access to and from the Port's facilities and the Port's revenues could be adversely affected by seismic (or other) damage to Bay Area infrastructure outside the Port Area, such as bridges, freeways, public transportation and rail lines.

Force Majeure Events

The Port's facilities and the Port's ability to generate revenues are at risk from events of force majeure, such as terrorism, strikes and lockouts, extreme weather events and other natural occurrences, fires and explosions, spills of hazardous substances, technology attacks, sabotage, wars, blockades, protests and riots. While the Board has attempted to address the risk of loss from some of these occurrences through the purchase of commercial property and casualty insurance, certain of these events may not be covered. Further, even for events that are covered by insurance, the Board cannot guarantee that insurers will pay claims in a timely manner or at all. From time to time, the Port may change the types and limits on the insurance coverage that it carries.

Sea-Level Rise

The California Energy Commission has developed a web-based portal, known as "Cal-Adapt", to assist the public and agencies plan for changes in climate, weather, water resources, etc., that are linked casually to the phenomenon known as "climate change." The Cal-Adapt website has resources related to sea-level rise. Sea-level rise can result in reduced bridge clearance, or flooding transportation corridors to

and from ports, negatively impacting Port operations. For planning purposes, the Cal-Adapt sea-level rise maps for the Bay Area show that portions of the Port Area may be subject to sea level rise-related inundation. The Port is unable to predict whether sea-level rise or other impacts of climate change will occur while the Series 2017 Intermediate Lien Bonds are outstanding. Any such events may have an adverse impact, material or otherwise, on Port facilities, revenues and/or expenses.

Enforceability of Remedies

The remedies available to the owners of the 2017 Intermediate Lien Bonds upon an Event of Default under the Intermediate Lien Master Trust Indenture and the remedies available to the Port upon a default by one of its tenants or customers are in many respects dependent upon regulatory and judicial actions that are in many instances subject to discretion and delay. Under existing laws and judicial decisions, the remedies provided for in the Intermediate Lien Master Trust Indenture or under the Port's agreements with its tenants or customers may not be readily available or may be limited. Legal opinions to be delivered concurrently with the delivery of the 2017 Intermediate Lien Bonds will be qualified to the extent that the enforceability of certain legal rights related to the 2017 Intermediate Lien Bonds and the Intermediate Lien Master Trust Indenture is subject to limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the enforcement of creditors' rights generally and by equitable remedies and proceedings generally.

Potential Change in Law

The Port is subject to State, federal and local laws that restrict its operations. Such laws may be amended at any time. No assurance can be given that the State electorate will not at some future time adopt initiatives or that the State Legislature will not enact legislation that will amend the laws or the Constitution of the State of California in a manner that results in an increase in Port expenses or a decrease in Port revenues, and, consequently, has an adverse effect on the security for the 2017 Intermediate Lien Bonds. No assurance can be given that the City Council will not at some future time adopt or revise applicable ordinances, or that the City electorate will not adopt an initiative or Charter amendment, that results in an increase in Port expenses or a decrease in Port revenues and, consequently, has an adverse effect on the security for the 2017 Intermediate Lien Bonds.

Federal Regulations and Sanctuary Jurisdictions

On January 25, 2017, the Administration issued "Executive Order – Enhancing Public Safety in the Interior of the United States" (the "Executive Order"), which aims to address certain immigration policies of the administration, including sanctuary jurisdictions, among other things. The Executive Order states, in part, that the policy of the executive branch will be to "ensure that jurisdictions that fail to comply with applicable Federal law do not receive Federal funds, except as mandated by law." The Executive Order further provides that:

- The Attorney General and the Homeland Security Secretary, in their discretion and to the extent consistent with law, shall ensure that jurisdictions that willfully refuse to comply with 8 U.S.C. 1373 (sanctuary jurisdictions) are not eligible to receive Federal grants, except as deemed necessary for law enforcement purposes by the Attorney General or the Secretary.
- The Homeland Security Secretary has the authority to designate, in his discretion and to the extent consistent with law, a jurisdiction as a sanctuary jurisdiction.

- The Attorney General shall take appropriate enforcement action against any entity that violates 8 U.S.C. 1373, or which has in effect a statute, policy, or practice that prevents or hinders the enforcement of Federal law.

The application of the Executive Order to specific grants is also unclear. To the extent that any federal grant mandated by Congress may be found to fall within the order's exception for funds "mandated by law," federal funds under particular statutes may be found to be excluded from the order altogether and therefore not subject to the withholding of funds.

As of the date of this Official Statement, the Port does not have sufficient information on how federal officials will interpret or apply the Executive Order or the potential impact, if any, on any federal funding that may be withheld as a result of this order. The Port is also unable to predict what actions, if any, that the City may take with respect to the "sanctuary jurisdiction" issue generally or specifically in response to the Executive Order.

Other General Factors

The Port has been, and may in the future be, affected by a number of other factors which could impact the financial condition of the facilities and operations of the Port. In addition to the factors discussed elsewhere herein, such factors include, among other things:

- Effects of compliance with rapidly changing regulatory and legislative requirements relating to trade, environmental, safety and permitting;
- Compliance with applicable requirements, regulations and guidelines in connection with funding from federal or state agencies or other sources, including loans or grants, and the possibility of fines, withdrawal of funding or requirements to repay funding in cases of alleged non-compliance;
- Changes resulting from national policies affecting transportation, airline, trade and commerce (including tariffs and trade policy) and maritime matters;
- The repeal of certain federal statutes that would have the effect of decreasing federal funding or changing federal tax policy, including the ability to issue tax-exempt obligations;
- Effects of new technologies that could affect matters related to transportation and the delivery of services through the Port's facilities;
- Other legislative changes, voter initiatives, referenda and statewide propositions;
- Effects of changes in the economy, population and demand of customers for services delivered by the Port;
- Changes in financial condition due to changes in required contributions to fund pension or other-post employment retirement benefits;
- Acts of terrorism or cyberterrorism; and
- Natural disasters or other physical calamities, including but not limited to, earthquakes.

Any of these factors (as well as other factors) could have an adverse effect on the financial condition of the Port.

TAX MATTERS

2017 Series D Intermediate Lien Bonds, 2017 Series E Intermediate Lien Bonds and 2017 Series F Intermediate Lien Bonds

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Board, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the 2017 Series D Intermediate Lien Bonds, 2017 Series E Intermediate Lien Bonds and 2017 Series F Intermediate Lien Bonds (collectively referred to herein as the “2017 Tax-Exempt Intermediate Lien Bonds”) is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “1986 Code”) or Section 103 of the Internal Revenue Code of 1954, as amended (the “1954 Code”) and Title XIII of the Tax Reform Act of 1986 (the “1986 Act”), except that no opinion is expressed as to the status of interest on any 2017 Series D Intermediate Lien Bond or 2017 Series F Intermediate Lien Bond for any period that such 2017 Series D Intermediate Lien Bond or 2017 Series F Intermediate Lien Bond is held by a “substantial user” of the facilities financed or refinanced by the 2017 Series D Intermediate Lien Bonds or 2017 Series F Intermediate Lien Bonds or by a “related person” within the meaning of Section 147(a) of the 1986 Code (with respect to the 2017 Series D Intermediate Lien Bonds) or the meaning of Section 103(b)(13) of 1954 Code (with respect to the 2017 Series F Intermediate Lien Bonds). Bond Counsel observes, however, that interest on the 2017 Series D Intermediate Lien Bonds is a specific preference item for purposes of the federal individual or corporate alternative minimum taxes. In the further opinion of Bond Counsel, interest on the 2017 Series E Intermediate Lien Bonds and 2017 Series F Intermediate Lien Bonds is not a specific preference item for purposes of the federal individual and corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel is also of the opinion that interest on the 2017 Tax-Exempt Intermediate Lien Bonds is exempt from State of California personal income taxes. A complete copy of the proposed form of opinion of Bond Counsel is set forth in APPENDIX D hereto.

To the extent the issue price of any maturity of the 2017 Tax-Exempt Intermediate Lien Bonds is less than the amount to be paid at maturity of such 2017 Tax-Exempt Intermediate Lien Bonds (excluding amounts stated to be interest and payable at least annually over the term of such 2017 Tax-Exempt Intermediate Lien Bonds), the difference constitutes “original issue discount,” the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the 2017 Tax-Exempt Intermediate Lien Bonds which is excluded from gross income for federal income tax purposes. For this purpose, the issue price of a particular maturity of the 2017 Tax-Exempt Intermediate Lien Bonds is the first price at which a substantial amount of such maturity of the 2017 Tax-Exempt Intermediate Lien Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the 2017 Tax-Exempt Intermediate Lien Bonds accrues daily over the term to maturity of such 2017 Tax-Exempt Intermediate Lien Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such 2017 Tax-Exempt Intermediate Lien Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such 2017 Tax-Exempt Intermediate Lien Bonds. Beneficial Owners of the 2017 Tax-Exempt Intermediate Lien Bonds should consult their own tax advisors with respect to the tax consequences of ownership of 2017 Tax-Exempt Intermediate Lien Bonds with original issue discount, including the treatment of Beneficial

Owners who do not purchase such 2017 Tax-Exempt Intermediate Lien Bonds in the original offering to the public at the first price at which a substantial amount of such 2017 Tax-Exempt Intermediate Lien Bonds is sold to the public.

2017 Tax-Exempt Intermediate Lien Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) (“Premium Bonds”) will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner’s basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The 1986 Code, the 1954 Code, and Title XIII of the 1986 Act impose various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the 2017 Tax-Exempt Intermediate Lien Bonds. The Board has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the 2017 Tax-Exempt Intermediate Lien Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the 2017 Tax-Exempt Intermediate Lien Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the 2017 Tax-Exempt Intermediate Lien Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel’s attention after the date of issuance of the 2017 Tax-Exempt Intermediate Lien Bonds may adversely affect the value of, or the tax status of interest on, the 2017 Tax-Exempt Intermediate Lien Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the 2017 Tax-Exempt Intermediate Lien Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the 2017 Tax-Exempt Intermediate Lien Bonds may otherwise affect a Beneficial Owner’s federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner’s other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the 1986 Code, 1954 Code, or 1986 Act or court decisions may cause interest on the 2017 Tax-Exempt Intermediate Lien Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals or clarification of the 1986 Code, 1954 Code, 1986 Act or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the 2017 Tax-Exempt Intermediate Lien Bonds. Prospective purchasers of the 2017 Tax-Exempt Intermediate Lien Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel is expected to express no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel’s judgment as to the proper treatment of the

2017 Tax-Exempt Intermediate Lien Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service (“IRS”) or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the Board, or about the effect of future changes in the 1986 Code, the 1954 Code, the 1986 Act, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The Board has covenanted, however, to comply with the requirements of the 1986 Code, the 1954 Code and the 1986 Act.

Bond Counsel’s engagement with respect to the 2017 Tax-Exempt Intermediate Lien Bonds ends with the issuance of the 2017 Tax-Exempt Intermediate Lien Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the Board or the Beneficial Owners regarding the tax-exempt status of the 2017 Tax-Exempt Intermediate Lien Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the Board and their appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the Board legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the 2017 Tax-Exempt Intermediate Lien Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the 2017 Tax-Exempt Intermediate Lien Bonds, and may cause the Board or the Beneficial Owners to incur significant expense.

2017 Series G Intermediate Lien Bonds

In the opinion of Bond Counsel, interest on the 2017 Series G Intermediate Lien Bonds is exempt from State of California personal income taxes. Bond Counsel observes that interest on the 2017 Series G Intermediate Lien Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the 1986 Code or Section 103 of the 1954 Code and Title XIII of the 1986 Act. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual, or receipt of interest on, the 2017 Series G Intermediate Lien Bonds. Investors are urged to obtain independent tax advice regarding the 2017 Series G Intermediate Lien Bonds based upon their particular circumstances. A complete copy of the proposed form of opinion of Bond Counsel is set forth in APPENDIX D—“FORM OF APPROVING OPINION OF BOND COUNSEL.”

The following discussion summarizes certain U.S. federal income tax considerations generally applicable to U.S. Holders (as defined below) of the 2017 Series G Intermediate Lien Bonds that acquire their 2017 Series G Intermediate Lien Bonds in the initial offering. The discussion below is based upon laws, regulations, rulings, and decisions in effect and available on the date hereof, all of which are subject to change, possibly with retroactive effect. Prospective investors should note that no rulings have been or are expected to be sought from the U.S. Internal Revenue Service with respect to any of the U.S. federal income tax considerations discussed below, and no assurance can be given that the IRS will not take contrary positions. Further, the following discussion does not deal with U.S. tax consequences applicable to any given investor, nor does it address the U.S. tax considerations applicable to all categories of investors, some of which may be subject to special taxing rules (regardless of whether or not such investors constitute U.S. Holders), such as certain U.S. expatriates, banks, REITs, RICs, insurance companies, tax-exempt organizations, dealers or traders in securities or currencies, partnerships, S corporations, estates and trusts, investors that hold their 2017 Series G Intermediate Lien Bonds as part of a hedge, straddle or an integrated or conversion transaction, or investors whose “functional currency” is not the U.S. dollar. Furthermore, it does not address (i) alternative minimum tax consequences, (ii) the net investment income tax imposed under Section 1411 of the 1986 Code, or (iii) the indirect effects on persons who hold equity interests in a holder. This summary also does not consider the taxation of the 2017 Series G Intermediate Lien Bonds under state, local or non-U.S. tax laws. In addition, this summary generally is limited to U.S. tax

considerations applicable to investors that acquire their 2017 Series G Intermediate Lien Bonds pursuant to this offering for the issue price that is applicable to such 2017 Series G Intermediate Lien Bonds (i.e., the price at which a substantial amount of the 2017 Series G Intermediate Lien Bonds are sold to the public) and who will hold their 2017 Series G Intermediate Lien Bonds as “capital assets” within the meaning of Section 1221 of the 1986 Code. The following discussion does not address tax considerations applicable to any investors in the 2017 Series G Intermediate Lien Bonds other than investors that are U.S. Holders.

As used herein, “U.S. Holder” means a beneficial owner of a 2017 Series G Intermediate Lien Bond that for U.S. federal income tax purposes is an individual citizen or resident of the United States, a corporation or other entity taxable as a corporation created or organized in or under the laws of the United States or any state thereof (including the District of Columbia), an estate the income of which is subject to U.S. federal income taxation regardless of its source or a trust where a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons (as defined in the 1986 Code) have the authority to control all substantial decisions of the trust (or a trust that has made a valid election under U.S. Treasury Regulations to be treated as a domestic trust). If a partnership holds 2017 Series G Intermediate Lien Bonds, the tax treatment of such partnership or a partner in such partnership generally will depend upon the status of the partner and upon the activities of the partnership. Partnerships holding 2017 Series G Intermediate Lien Bonds, and partners in such partnerships, should consult their own tax advisors regarding the tax consequences of an investment in the 2017 Series G Intermediate Lien Bonds (including their status as U.S. Holders).

Prospective investors should consult their own tax advisors in determining the U.S. federal, state, local or non-U.S. tax consequences to them from the purchase, ownership and disposition of the 2017 Series G Intermediate Lien Bonds in light of their particular circumstances.

Interest. Interest on the 2017 Series G Intermediate Lien Bonds generally will be taxable to a U.S. Holder as ordinary interest income at the time such amounts are accrued or received, in accordance with the U.S. Holder’s method of accounting for U.S. federal income tax purposes.

To the extent that the issue price of any maturity of the 2017 Series G Intermediate Lien Bonds is less than the amount to be paid at maturity of such 2017 Series G Intermediate Lien Bonds (excluding amounts stated to be interest and payable at least annually over the term of such 2017 Series G Intermediate Lien Bonds) by more than a de minimis amount, the difference may constitute original issue discount (“OID”). U.S. Holders of 2017 Series G Intermediate Lien Bonds will be required to include OID in income for U.S. federal income tax purposes as it accrues, in accordance with a constant yield method based on a compounding of interest (which may be before the receipt of cash payments attributable to such income). Under this method, U.S. Holders generally will be required to include in income increasingly greater amounts of OID in successive accrual periods.

2017 Series G Intermediate Lien Bonds purchased for an amount in excess of the principal amount payable at maturity (or, in some cases, at their earlier call date) will be treated as issued at a premium. A U.S. Holder of a 2017 Series G Intermediate Lien Bond issued at a premium may make an election, applicable to all debt securities purchased at a premium by such U.S. Holder, to amortize such premium, using a constant yield method over the term of such 2017 Series G Intermediate Lien Bond.

Sale or Other Taxable Disposition of the 2017 Series G Intermediate Lien Bonds. Unless a nonrecognition provision of the 1986 Code applies, the sale, exchange, redemption, retirement (including pursuant to an offer by the Board) or other disposition of a 2017 Series G Intermediate Lien Bond will be a taxable event for U.S. federal income tax purposes. In such event, in general, a U.S. Holder of a 2017 Series G Intermediate Lien Bond will recognize gain or loss equal to the difference between (i) the amount of cash plus the fair market value of property received (except to the extent attributable to accrued but

unpaid interest on the 2017 Series G Intermediate Lien Bond, which will be taxed in the manner described above) and (ii) the U.S. Holder's adjusted U.S. federal income tax basis in the 2017 Series G Intermediate Lien Bond (generally, the purchase price paid by the U.S. Holder for the 2017 Series G Intermediate Lien Bond, decreased by any amortized premium, and increased by the amount of any OID previously included in income by such U.S. Holder with respect to such 2017 Series G Intermediate Lien Bond). Any such gain or loss generally will be capital gain or loss. In the case of a non-corporate U.S. Holder of the 2017 Series G Intermediate Lien Bonds, the maximum marginal U.S. federal income tax rate applicable to any such gain will be lower than the maximum marginal U.S. federal income tax rate applicable to ordinary income if such U.S. holder's holding period for the 2017 Series G Intermediate Lien Bonds exceeds one year. The deductibility of capital losses is subject to limitations.

Defeasance of the 2017 Series G Intermediate Lien Bonds. If the Board defeases any 2017 Series G Intermediate Lien Bond, such 2017 Series G Intermediate Lien Bond may be deemed to be retired and "reissued" for federal income tax purposes as a result of the defeasance. In that event, in general, a U.S. Holder will recognize taxable gain or loss equal to the difference between (i) the amount realized from the deemed sale, exchange or retirement (less any accrued qualified stated interest which will be taxable as such) and (ii) the U.S. Holder's adjusted tax basis in the 2017 Series G Intermediate Lien Bond.

Information Reporting and Backup Withholding. Payments on the 2017 Series G Intermediate Lien Bonds generally will be subject to U.S. information reporting and possibly to "backup withholding." Under Section 3406 of the 1986 Code and applicable U.S. Treasury Regulations issued thereunder, a non-corporate U.S. Holder of the 2017 Series G Intermediate Lien Bonds may be subject to backup withholding at the current rate of 28% with respect to "reportable payments," which include interest paid on the 2017 Series G Intermediate Lien Bonds and the gross proceeds of a sale, exchange, redemption, retirement or other disposition of the 2017 Series G Intermediate Lien Bonds. The payor will be required to deduct and withhold the prescribed amounts if (i) the payee fails to furnish a U.S. taxpayer identification number ("TIN") to the payor in the manner required, (ii) the IRS notifies the payor that the TIN furnished by the payee is incorrect, (iii) there has been a "notified payee underreporting" described in Section 3406(c) of the 1986 Code or (iv) the payee fails to certify under penalty of perjury that the payee is not subject to withholding under Section 3406(a)(1)(C) of the 1986 Code. Amounts withheld under the backup withholding rules may be refunded or credited against the U.S. Holder's federal income tax liability, if any, provided that the required information is timely furnished to the IRS. Certain U.S. holders (including among others, corporations and certain tax-exempt organizations) are not subject to backup withholding. A holder's failure to comply with the backup withholding rules may result in the imposition of penalties by the IRS.

Foreign Account Tax Compliance Act ("FATCA"). Sections 1471 through 1474 of the 1986 Code impose a 30% withholding tax on certain types of payments made to foreign financial institutions, unless the foreign financial institution enters into an agreement with the U.S. Treasury to, among other things, undertake to identify accounts held by certain U.S. persons or U.S.-owned entities, annually report certain information about such accounts, and withhold 30% on payments to account holders whose actions prevent it from complying with these and other reporting requirements, or unless the foreign financial institution is otherwise exempt from those requirements. In addition, FATCA imposes a 30% withholding tax on the same types of payments to a non-financial foreign entity unless the entity certifies that it does not have any substantial U.S. owners or the entity furnishes identifying information regarding each substantial U.S. owner. Failure to comply with the additional certification, information reporting and other specified requirements imposed under FATCA could result in the 30% withholding tax being imposed on payments of interest and principal under the 2017 Series G Intermediate Lien Bonds and sales proceeds of 2017 Series G Intermediate Lien Bonds held by or through a foreign entity. In general, withholding under FATCA currently applies to payments of U.S. source interest (including OID) and, under current guidance, will

apply to (i) gross proceeds from the sale, exchange or retirement of debt obligations paid after December 31, 2018 and (ii) certain “passthru” payments no earlier than January 1, 2019. Prospective investors should consult their own tax advisors regarding FATCA and its effect on them.

The foregoing summary is included herein for general information only and does not discuss all aspects of U.S. federal taxation that may be relevant to a particular holder of 2017 Series G Intermediate Lien Bonds in light of the holder’s particular circumstances and income tax situation. Prospective investors are urged to consult their own tax advisors as to any tax consequences to them from the purchase, ownership and disposition of 2017 Series G Intermediate Lien Bonds, including the application and effect of state, local, non-U.S., and other tax laws.

LEGAL MATTERS

Issuance of the 2017 Intermediate Lien Bonds is subject to receipt of the approving opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Port. The proposed form of the opinion of Bond Counsel with respect to the 2017 Intermediate Lien Bonds is included in this Official Statement as Appendix D. Bond Counsel takes no responsibility for the accuracy, completeness or fairness of this Official Statement. From time to time Orrick, Herrington & Sutcliffe LLP serves as counsel to the Underwriters on matters that do not relate to the Port or to the Bonds.

Certain legal matters will be passed upon for the Port by Danny Wan, Port Attorney. Certain legal matters will be passed upon for the Underwriters by their counsel, Kutak Rock LLP. Neither the Port’s Attorney nor Underwriters’ Counsel is rendering an opinion as to the validity or tax status of the 2017 Intermediate Lien Bonds. Any opinion of Underwriters’ Counsel will be rendered solely to the Underwriters, and any opinion of Underwriters’ Counsel and the Port Attorney will be limited in scope and cannot be relied upon by investors.

LITIGATION

There are several lawsuits and claims pending against the Port, including a number of personal injury, environmental, contract and employment claims. The aggregate amount of pending lawsuits and uninsured claims against the Port of which the Port Attorney is currently aware, if concluded adversely to the Port, would not, in the opinion of the Port Attorney, have a material adverse effect on the Port’s overall financial condition.

RATINGS

The 2017 Intermediate Lien Bonds have been assigned underlying ratings of “A” (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”), “A2” (stable outlook) by Moody’s Investor Service (“Moody’s”) and “A” (stable outlook) by Fitch Ratings (“Fitch”). Such ratings express only the views of the rating agencies and are not a recommendation to buy, sell or hold the 2017 Intermediate Lien Bonds. An explanation of the significance of each of the ratings may be obtained from the rating agency furnishing the same. The Port furnished to such rating agencies certain information and materials regarding the 2017 Intermediate Lien Bonds. Generally, rating agencies base their ratings on the information and materials furnished to them and on their own investigations, studies and assumptions. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by the rating agencies, or any of them, if, in their or its judgment, circumstances so warrant. Any downward revision or withdrawal of the ratings may have an adverse effect on the market price or marketability of the 2017 Intermediate Lien Bonds. The Board has assumed no responsibility either to contest any proposed change in or withdrawal of any such rating subsequent to the date hereof.

UNDERWRITING

The 2017 Intermediate Lien Bonds are being purchased from the Port by Merrill Lynch, Pierce, Fenner & Smith Incorporated, acting on its own behalf and as representative of Siebert Cisneros Shank & Co., L.L.C., Backstrom McCarley Berry & Co., LLC, Blaylock Van, LLC and J.P. Morgan Securities LLC (collectively, the “Underwriters”), at a price of \$287,180,085.15 (consisting of the aggregate principal amount of \$253,950,000.00, plus an original issue premium of \$33,923,930.30 and less an Underwriters’ discount of \$693,845.15), subject to the terms of a Bond Purchase Contract between the Board and the Underwriters. The Bond Purchase Contract provides that the Underwriters shall purchase all of the 2017 Intermediate Lien Bonds if any are purchased, and that the obligation to make such purchase is subject to certain terms and conditions set forth in the Bond Purchase Contract, the approval of certain legal matters by counsel, and certain other conditions. The initial public offering prices set forth on the inside front cover hereof may be changed from time to time by the Underwriters without prior notice.

The Underwriters may offer and sell the 2017 Intermediate Lien Bonds to certain dealers or unit investment trusts and money market or other funds and others at lower prices than the initial offering prices corresponding to the yields set forth on the inside cover, and such initial offering prices may be changed from time to time by the Underwriters without notice.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the Underwriters and their respective affiliates may have, from time to time, performed and may in the future perform, various investment banking services for the Port, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Port.

Backstrom McCarley Berry & Co., LLC (“BMcB”), an Underwriter of the 2017 Intermediate Lien Bonds, has entered into separate non-exclusive distribution agreements with TD Ameritrade, Hilltop Securities, D.A. Davidson & Co., and Wedbush Securities Inc., (the “Firms”) to augment both its institutional and retail marketing capabilities for the distribution of certain new issue municipal securities underwritten by or allocated to BMcB, which includes the 2017 Intermediate Lien Bonds. Pursuant to the distribution agreements, the Firms may purchase 2017 Intermediate Lien Bonds from BMcB at the original issue price less a negotiated portion of the selling concession applicable to any Bonds that such firm sells, or BMcB may share with the Firms a portion of the fees or commission paid to BMcB applicable to their disclosed transactions.

Blaylock Van, LLC (“Blaylock Van” or “BV”), an Underwriter of the 2017 Intermediate Lien Bonds, has entered into a distribution agreement (the “BV Distribution Agreement”) with TD Ameritrade, Inc. (“TD”) for the retail distribution of certain municipal securities offerings underwritten by or allocated to Blaylock Van, including the 2017 Intermediate Lien Bonds. Under the BV Distribution Agreement, Blaylock Van will share with TD a portion of the underwriting compensation paid to BV.

J.P. Morgan Securities LLC (“JPMS”), an Underwriter of the 2017 Intermediate Lien Bonds, has entered into negotiated dealer agreements (each, a “Dealer Agreement”) with each of Charles Schwab &

Co., Inc. (“CS&Co.”) and LPL Financial LLC (“LPL”) for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement, each of CS&Co. and LPL may purchase 2017 Intermediate Lien Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any 2017 Intermediate Lien Bonds that such firm sells.

RELATIONSHIP OF CERTAIN PARTIES

JPMorgan Chase Bank, National Association is a provider of a direct-pay letter of credit to the Port for a portion of its CP Notes, which expires in June 2017. J.P. Morgan Securities LLC is an underwriter with respect to the 2017 Intermediate Lien Bonds. JPMorgan Chase Bank, National Association and J.P. Morgan Securities LLC are affiliated and are subsidiaries of JPMorgan Chase & Co. Bank of America, N.A. is a provider of a direct-pay letter of credit to the Port for a portion of its CP Notes. Merrill Lynch, Pierce, Fenner & Smith Incorporated is an underwriter with respect to the 2017 Intermediate Lien Bonds. Merrill Lynch, Pierce, Fenner & Smith Incorporated and Bank of America, N.A. are affiliated and are subsidiaries of Bank of America Corporation. Upon the closing of the anticipated letter of credit substitution in June 2017, Bank of America N.A. will be the sole provider of CP Letters of Credit to the Port in connection with its CP Notes. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2017 INTERMEDIATE LIEN BONDS—Subordinated Obligations—Commercial Paper.”

CONTINUING DISCLOSURE

In connection with the issuance of the 2017 Intermediate Lien Bonds, the Board will execute a Continuing Disclosure Certificate (the “Continuing Disclosure Certificate”), which provides for disclosure obligations on the part of the Board. Under the Continuing Disclosure Certificate, the Board will covenant for the benefit of the owners and Beneficial Owners of the 2017 Intermediate Lien Bonds to provide financial information and operating data (the “Annual Report”) by not later than 240 days following the end of its Fiscal Year (currently June 30), commencing with the report for Fiscal Year 2017, and to provide notices of the occurrence of certain enumerated events. The Board or its dissemination agent is required to file Annual Reports and notices of enumerated events with the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access system. These covenants have been made in order to assist the Underwriters in complying with SEC Rule 15c2-12(b)(5) (the “Rule”). See APPENDIX E—“FORM OF CONTINUING DISCLOSURE CERTIFICATE.”

MUNICIPAL ADVISOR

Montague DeRose and Associates, LLC (the “Municipal Advisor”) has acted as municipal advisor to the Board in connection with the issuance of the 2017 Intermediate Lien Bonds. The Municipal Advisor is an Independent Registered Municipal Advisor under Section 15B of the Securities Exchange Act of 1934 and the rules promulgated thereunder by the Securities and Exchange Commission. The Municipal Advisor has not undertaken to make an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement.

REGISTERED INVESTMENT ADVISOR

Raymond James & Associates, Inc. (“Raymond James”) acted as registered investment adviser to the Board in its capacity as bidding agent in conducting a competitive bid procurement for the purchase of open market securities to be held in the escrow fund for the Refunded 2007 Intermediate Lien Bonds. Raymond James will receive compensation for bidding agent services contingent on the delivery of the 2017 Intermediate Lien Bonds.

FINANCIAL STATEMENTS

The audited basic financial statements of the Port for Fiscal Years 2016 and 2015 are included in this Official Statement as APPENDIX A. The financial statements referred to in the preceding sentence have been audited by Macias, Gini and O’Connell LLP (the “Auditors”), whose report with respect thereto also appears in APPENDIX A. The Auditors have consented to the use of their names and to the inclusion of their report in this Official Statement.

MISCELLANEOUS

The purpose of this Official Statement is to supply information to purchasers of the 2017 Intermediate Lien Bonds. The summaries provided in this Official Statement and the appendices attached hereto in connection with the 2017 Intermediate Lien Bonds and the documents referred to herein do not purport to be comprehensive or definitive and all references to the documents summarized are qualified in their entirety by reference to each such document. All references to the 2017 Intermediate Lien Bonds are qualified in their entirety by reference to the form thereof and the information with respect thereto included in the aforesaid documents.

Statements in this Official Statement, including matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Port or the Underwriters and the purchasers of the 2017 Intermediate Lien Bonds. The Board has authorized the distribution of this Official Statement.

CITY OF OAKLAND, CALIFORNIA ACTING BY
AND THROUGH ITS BOARD OF PORT
COMMISSIONERS

By /s/ Sara Lee
Chief Financial Officer

APPENDIX A

**AUDITED BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED
JUNE 30, 2016 AND JUNE 30, 2015
AND INDEPENDENT AUDITORS' REPORT**

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PORT OF OAKLAND
(A Component Unit of the City of Oakland)

Independent Auditors' Report, Management's Discussion and Analysis, Basic
Financial Statements, and Required Supplementary Information

Fiscal Years Ended June 30, 2016 and 2015

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Independent Auditor's Report

Board of Port Commissioners of the City of Oakland,
Oakland, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Port of Oakland (Port), a component unit of the City of Oakland, California as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Port as of June 30, 2016 and 2015, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and the schedule of funding progress – other postemployment benefits identified in the accompanying table of contents be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audits of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Port's financial statements. The introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the financial statements. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2016, on our consideration of the Port's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Port's internal control over financial reporting and compliance.



Oakland, California
November 29, 2016

Port of Oakland
(A Component Unit of the City of Oakland)
Management's Discussion and Analysis (unaudited)
June 30, 2016 and 2015

Management's Discussion and Analysis

The Management's Discussion and Analysis (MD&A) is intended to provide information concerning known facts and conditions affecting the Port of Oakland's (Port) operations. The following discussion and analysis of the financial performance and activities of the Port provides an introduction and understanding of the financial statements of the Port for the fiscal years ended June 30, 2016 and 2015, with comparative information for June 30, 2014. This MD&A has been prepared by management and should be read in conjunction with the financial statements and the accompanying notes, which follow this section.

Financial Statement Overview

The Port's financial report includes the MD&A, financial statements, notes to the financial statements, and required supplementary information. The financial statements include the Statements of Net Position; Statements of Revenues, Expenses and Changes in Net Position; and Statements of Cash Flows. In addition, the report includes a statistical section, which presents various financial and operating data.

The Port prepares the financial statements on the accrual basis in accordance with accounting principles generally accepted in the United States of America promulgated by the Governmental Accounting Standards Board (GASB). Revenues are recognized when earned, not when received, and expenses are recognized when incurred, not when paid. Capital assets are capitalized and, with the exception of land, air rights and noise easements, depreciated over their estimated useful lives.

Summary of Net Position

The Statements of Net Position present the financial position of the Port at the end of the fiscal year. The statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the Port. Net Position, the difference between assets, deferred outflows/inflows of resources, and liabilities, are an indicator of the current fiscal health of the Port and can provide an indication of improvement or deterioration of its financial position over time. A summarized comparison of the Port's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position as of June 30 follows (in thousands):

	2016	\$ Change	% Change	2015	\$ Change	% Change	2014
Current and other assets	\$ 447,249	\$ 27,276	6.5%	\$ 419,973	\$ 39,908	10.5%	\$ 380,065
Capital assets, net	<u>2,199,020</u>	<u>(13,391)</u>	-0.6%	<u>2,212,411</u>	<u>15,637</u>	0.7%	<u>2,196,774</u>
Total assets	<u>2,646,269</u>	<u>13,885</u>	0.5%	<u>2,632,384</u>	<u>55,545</u>	2.2%	<u>2,576,839</u>
Deferred outflows of resources	<u>44,576</u>	<u>17,754</u>	66.2%	<u>26,822</u>	<u>13,391</u>	99.7%	<u>13,431</u>
Debt outstanding	1,162,186	(42,591)	-3.5%	1,204,777	(53,488)	-4.3%	1,258,265
Other liabilities	<u>356,646</u>	<u>(28,888)</u>	-7.5%	<u>385,534</u>	<u>163,720</u>	73.8%	<u>221,814</u>
Total liabilities	<u>1,518,832</u>	<u>(71,479)</u>	-4.5%	<u>1,590,311</u>	<u>110,232</u>	7.4%	<u>1,480,079</u>
Deferred inflows of resources	<u>29,467</u>	<u>330</u>	1.1%	<u>29,137</u>	<u>29,137</u>	100.0%	<u>-</u>
Net investment in capital assets	1,097,049	43,167	4.1%	1,053,882	66,923	6.8%	986,959
Restricted for construction	14,840	2,774	23.0%	12,066	1,994	19.8%	10,072
Unrestricted	<u>30,657</u>	<u>56,847</u>	-217.1%	<u>(26,190)</u>	<u>(139,350)</u>	-123.1%	<u>113,160</u>
Total net position	<u>\$ 1,142,546</u>	<u>\$ 102,788</u>	9.9%	<u>\$ 1,039,758</u>	<u>\$ (70,433)</u>	-6.3%	<u>\$ 1,110,191</u>

Port of Oakland
(A Component Unit of the City of Oakland)
Management's Discussion and Analysis (unaudited)
June 30, 2016 and 2015

Summary of Net Position (continued)

2016

Total net position at June 30, 2016, increased approximately \$102,788 thousand or 9.9% from \$1,039,758 thousand on June 30, 2015 to \$1,142,546 thousand on June 30, 2016. The 2016 increase in net position was primarily driven by an increase in net investments in capital assets of approximately \$43,167 thousand and a net increase in unrestricted assets of approximately \$56,847 thousand.

The \$43,167 thousand increase in net investments in capital assets is primarily due to scheduled debt payments of \$50,761 thousand, the net amortization of bond premiums of \$6,023 thousand, offset by a decrease in capital assets of \$13,391 thousand. The decrease in capital assets was due to an increase in accumulated depreciation of \$103,396 thousand and asset retirements of \$1,750 thousand offset by \$92,295 thousand of construction and equipment purchases, primarily related to infrastructure development and improvements at the Airport and Seaport (refer to pages 11-12 for more details).

The increase in unrestricted assets was primarily due to a net increase in the Port's cash and accounts receivable balances of \$25,738 thousand, which was driven by the collection of various federal and state grant reimbursements, and a net decrease in other liabilities driven by the termination of a long-term lease agreement which resulted in the immediate recognition of previously unearned revenue of \$46,977 thousand, offset by the recognition of a loss contingency for deferred maintenance of leased property of \$22,308 thousand. Additionally, the Port recognized \$19,213 thousand of an increase in deferred outflows related to pensions, primarily consisting of differences between projected and actual earnings on investments held by the Port's CalPERS pension fund, which was offset by an increase in net pension liability of \$12,286 thousand.

2015

Total net position at June 30, 2015, decreased approximately \$70,433 thousand or 6.3% from \$1,110,191 thousand on June 30, 2014 to \$1,039,758 thousand on June 30, 2015. In 2015 the decrease in net position was primarily driven by an increase in net investments in capital assets of approximately \$66,923 thousand, offset by a decrease in unrestricted net position of approximately \$139,350 thousand.

Net investment in capital assets, increased \$66,923 thousand due to a decrease in outstanding debt of \$50,466 thousand caused by scheduled principal payments, an increase in capital assets, net of depreciation, of approximately \$15,969 thousand due to infrastructure development and significant facilities improvements at the Airport and Seaport (refer to pages 11-12 for more details), and a decrease in accounts payable on construction contracts of \$903 thousand driven by the timing of contractor payments.

Unrestricted net position decreased approximately \$139,350 thousand due to the recognition of net pension obligations and related deferred outflows and inflows of resources as required by GASB 68 totaling \$178,979 thousand. This decrease was mainly offset by an increase in accounts receivable of \$57,314 thousand primarily for federal and state grants funding the development of the Seaport Logistics Complex at the Seaport and federally mandated runway improvements at the Airport. Also, because of the earlier measurement date allowed for the net pension liability and period-to-period actuarial changes, the accounting rules require the reporting of certain deferred outflows of resources (\$15,077 thousand for employer contributions subsequent to the measurement date) and deferred inflows of resources (\$29,137 thousand for assumption difference and changes), separate from assets and liabilities.

Port of Oakland
(A Component Unit of the City of Oakland)
Management's Discussion and Analysis (unaudited)
June 30, 2016 and 2015

Summary of Revenues, Expenses and Changes in Net Position

The Statements of Revenues, Expenses and Changes in Net Position reflect how the Port's net position changed during the most recent fiscal year compared to the prior year. These changes are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. A summary of the Statements of Revenues, Expenses and Changes in Net Position as of June 30 follows (in thousands):

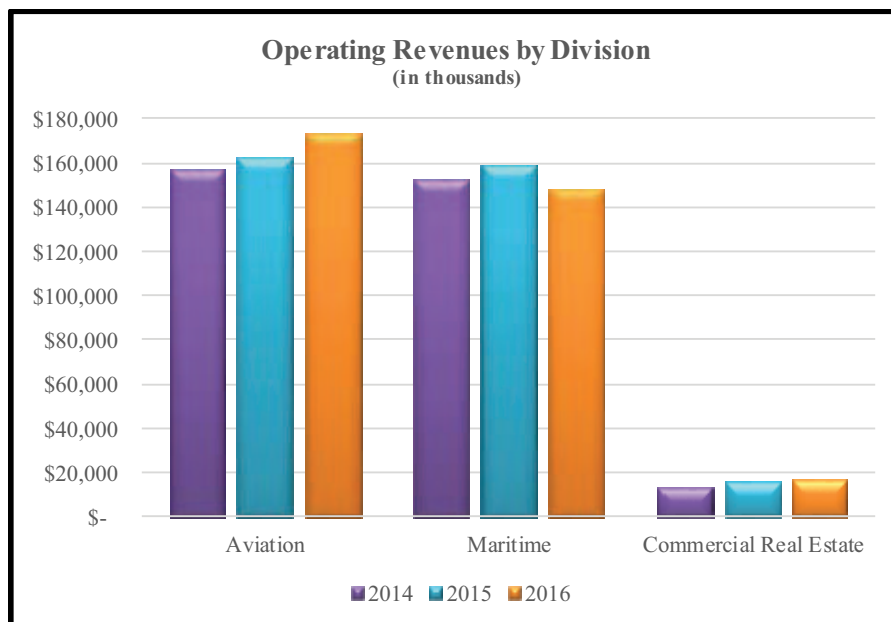
	Twelve Months Ended						2014
	2016	\$ Change	% Change	2015	\$ Change	% Change	
Operating revenues	\$ 338,037	\$ 1,450	0.4%	\$ 336,587	\$ 13,547	4.2%	\$ 323,040
Passenger facility charge revenue	22,929	1,451	6.8%	21,478	1,780	9.0%	19,698
Customer facility charge revenue	5,939	(314)	-5.0%	6,253	628	11.2%	5,625
Gain on lease termination	35,200	35,200	100.0%	-	-	n/a	-
Interest income	2,149	366	20.5%	1,783	410	29.9%	1,373
Grant revenue	1,419	(2,455)	-63.4%	3,874	3,874	100%	-
Other income	3,744	484	15%	3,260	3,260	100%	-
Total revenues	<u>409,417</u>	<u>36,182</u>	<u>9.7%</u>	<u>373,235</u>	<u>23,499</u>	<u>6.7%</u>	<u>349,736</u>
Operating expenses							
before depreciation	181,157	7,494	4.3%	173,663	9,337	5.7%	164,326
Depreciation	104,077	2,318	2.3%	101,759	2,500	2.5%	99,259
Interest expense	49,889	(1,747)	-3.4%	51,636	(2,341)	-4.3%	53,977
Customer facility charge expense	4,307	170	4.1%	4,137	(82)	0.0%	4,219
Other expense	629	629	100.0%	-	(6,518)	-100%	6,518
Grant expense	1,419	(2,455)	-63.4%	3,874	3,874	100%	-
Total expenses	<u>341,478</u>	<u>6,409</u>	<u>1.9%</u>	<u>335,069</u>	<u>6,770</u>	<u>2.1%</u>	<u>328,299</u>
Change in net position before capital contributions	67,939	29,773	78.0%	38,166	16,729	78.0%	21,437
Capital contributions -							
Grants from government agencies	34,849	(38,876)	-52.7%	73,725	13,390	22.2%	60,335
Increase in net position	<u>102,788</u>	<u>(9,103)</u>	<u>-8.1%</u>	<u>111,891</u>	<u>30,119</u>	<u>36.8%</u>	<u>81,772</u>
Net position, beginning of the year	1,039,758	111,891	12.1%	927,867	(100,552)	-9.8%	1,028,419
Net position, end of the year	<u>\$1,142,546</u>	<u>\$ 102,788</u>	<u>9.9%</u>	<u>\$1,039,758</u>	<u>\$ (70,433)</u>	<u>-6.3%</u>	<u>\$1,110,191</u>

Port of Oakland
(A Component Unit of the City of Oakland)
Management's Discussion and Analysis (unaudited)
June 30, 2016 and 2015

Operating Revenues by Division

A condensed summary of operating revenues as of June 30 follows (in thousands):

<u>Division</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Aviation	\$ 173,067	\$ 162,135	\$ 157,220
Maritime	148,772	158,684	152,657
Commercial Real Estate	16,198	15,768	13,163
Total	<u>\$ 338,037</u>	<u>\$ 336,587</u>	<u>\$ 323,040</u>



2016

The Port's total operating revenues increased slightly by approximately \$1,450 thousand or 0.4% from \$336,587 thousand in fiscal year 2015 to \$338,037 thousand in fiscal year 2016.

The Aviation Division generated \$173,067 thousand or 51.2% of the Port's total operating revenues in fiscal year 2016. Aviation's operating revenues increased approximately \$10,932 thousand or 6.7% from \$162,135 thousand in fiscal year 2015 to \$173,067 thousand in fiscal year 2016. The increase in Aviation operating revenue was primarily due to increases in terminal rents and other terminal revenues of \$5,849 thousand, parking and ground access revenues of \$3,478 thousand, and terminal concession revenues of \$1,389 thousand. The increases in Aviation revenue was driven by increases in both the terminal rental rates and passenger traffic. Effective average terminal rates increased from \$204.58 per square foot in 2015 to \$227.75 per square foot in 2016 and passenger traffic increased 8.0% from 10.75 million passengers in 2015 to 11.61 million passengers in 2016.

Port of Oakland
(A Component Unit of the City of Oakland)
Management's Discussion and Analysis (unaudited)
June 30, 2016 and 2015

Operating Revenues by Division (continued)

The Maritime Division generated \$148,772 thousand or 44.0% of the Port's total operating revenues in fiscal year 2016. Maritime's operating revenues decreased approximately \$9,912 thousand or 6.2% from \$158,684 thousand in fiscal year 2015 to \$148,772 thousand in fiscal year 2016. The decrease in Maritime operating revenue was primarily due to the termination of a long term lease agreement with Outer Harbor Terminal (formerly Ports America Outer Harbor Terminal) during fiscal year 2016.

The Commercial Real Estate Division generated \$16,198 thousand or 4.8% of the Port's total operating revenues in fiscal year 2016. Commercial Real Estate's operating revenues increased approximately \$430 thousand or 2.7% from \$15,768 thousand in fiscal year 2015 to \$16,198 thousand in fiscal year 2016. The increase in Commercial Real Estate revenue was primarily due to increases in percentage rents, short-term rentals and parking revenue all driven by increased business activity in Jack London Square.

2015

The Port's operating revenues increased approximately \$13,547 thousand or 4.2% from \$323,040 thousand in fiscal year 2014 to \$336,587 thousand in fiscal year 2015.

The Aviation Division generated \$162,135 thousand or 48.2% of the Port's total operating revenues in fiscal year 2015. Aviation's operating revenues increased approximately \$4,915 thousand or 3.1% from \$157,220 in fiscal year 2014 to \$162,135 thousand in fiscal year 2015. The increase in Aviation operating revenue was primarily due to increases in: terminal concession revenues of \$1,174 thousand, parking revenue of \$2,478 thousand, and lease rentals of \$1,937 thousand. The primary reason for concession and parking revenue increases was the 8.7% increase in passenger traffic from 9.89 million passengers in fiscal year 2014 to 10.75 million passengers in fiscal year 2015. Lease rental increases were due primarily to increased leased space as well as rent escalations for existing leases tied to the CPI index. These increases were offset by a \$1,024 thousand decrease in ground access revenues due to discontinued AirBART operations which were ceased after the new BART-Oakland Airport Connector was placed in service in November 2014.

The Maritime Division generated \$158,684 thousand or 47.1% of the Port's total operating revenues in fiscal year 2015. Maritime's operating revenues increased approximately \$6,027 thousand or 3.9% from \$152,657 thousand in fiscal year 2014 to \$158,684 thousand in fiscal year 2015. The increase in Maritime operating revenue was primarily due to increased non-terminal rentals and utility sales from shore power usage. Full Twenty-Foot Equivalent Units (TEUs) decreased 6.5% from 1,832,559 in fiscal year 2014 to 1,713,812 in fiscal year 2015.

The Commercial Real Estate Division generated \$15,768 thousand or 4.7% of the Port's total operating revenues in fiscal year 2015. Commercial Real Estate's operating revenues increased approximately \$2,605 thousand or 19.8% from \$13,163 million in fiscal year 2014 to \$15,768 million in fiscal year 2015. The increase in Commercial Real Estate revenue was primarily due to increases in percentage rents, short-term rentals and parking revenue all driven by increased business activity in Jack London Square.

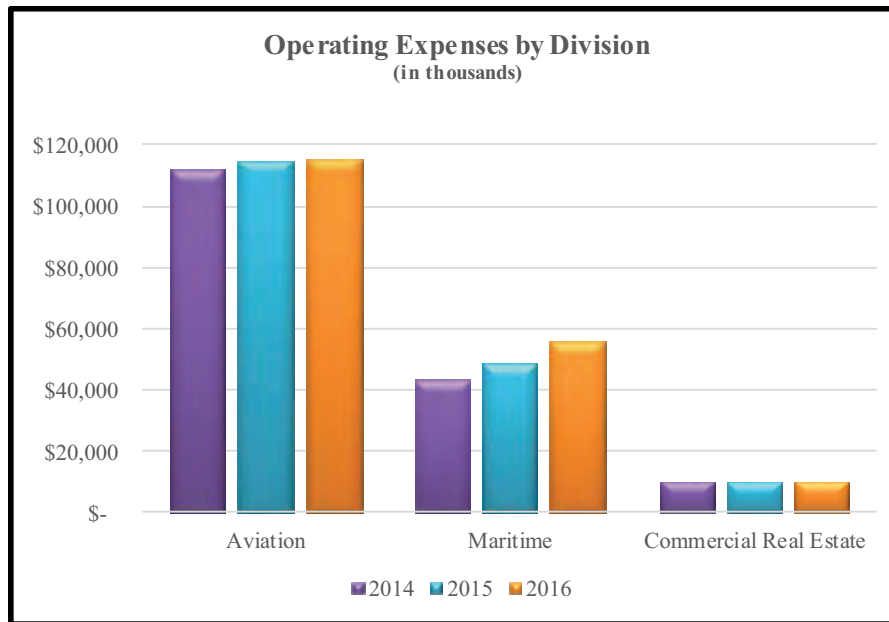
Port of Oakland
(A Component Unit of the City of Oakland)
Management's Discussion and Analysis (unaudited)
June 30, 2016 and 2015

Operating Expenses by Division

A condensed summary of operating expenses (excluding depreciation) as of June 30 follows (in thousands):

Division	2016	2015	2014
Aviation	\$ 115,344	\$ 114,902	\$ 111,251
Maritime	55,738	48,532	43,201
Commercial Real Estate	10,075	10,229	9,874
Total	<u>\$ 181,157</u>	<u>\$ 173,663</u>	<u>\$ 164,326</u>

Note: For comparative purposes, fiscal year 2015 and 2014 are restated to conform with 2016's presentation where expenses reimbursed with Customer Facility Charges were reclassified from operating to non-operating expenses.



2016

The Port's operating expenses, excluding depreciation, increased approximately \$7,494 thousand or 4.3% from \$173,663 thousand in fiscal year 2015 to \$181,157 thousand in fiscal year 2016.

The Aviation Division represented 63.7% of the Port's total operating expenses in fiscal year 2016. Aviation's operating expenses increased slightly by \$442 thousand or 0.4% from \$114,902 thousand in fiscal year 2015 to \$115,344 thousand in fiscal year 2016. This increase was primarily due to an increase in Airport security expenses of \$2,081 thousand, driven by increased security coverage needs and increased security services cost due to rising healthcare and retirement expenses for security personnel, offset by a decrease in pollution remediation expenses of \$1,798 thousand, due to higher costs in the prior year as a result of a new site identified during construction of the Runway Safety Area project.

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Operating Expenses by Division (continued)

The Maritime Division represented 30.8% of the Port's total operating expenses in fiscal year 2016. Maritime's operating expenses increased \$7,206 thousand or 14.8% from \$48,532 thousand in fiscal year 2015 to \$55,738 thousand in fiscal year 2016. This increase was driven by an increase in pollution remediation expense of \$3,009 thousand due to continued remediation on the former Oakland Army Base and planned development at the former Outer Harbor Terminal, an increase in maintenance dredging expense of \$1,329 thousand due to strategically increased dredging efforts, and an increase of \$1,585 thousand of expenses for an extended night gate assistance program that was implemented in 2016 by the Seaport to help ease congestion at the marine terminals.

The Commercial Real Estate Division represents 5.6% of the Port's total operating expenses in fiscal year 2016. Commercial Real Estate's operating expenses in fiscal year 2016 were essentially unchanged from fiscal year 2015.

2015

The Port's operating expenses, excluding depreciation, increased approximately \$9,337 thousand or 5.7% from \$164,326 thousand in fiscal year 2014 to \$173,663 million in fiscal year 2015.

The Aviation Division represented 66.2% of the Port's total operating expenses in fiscal year 2015. Aviation's operating expenses increased approximately \$3,651 or 3.3% from \$111,251 million in fiscal year 2014 to \$114,902 thousand in fiscal year 2015. The increase is primarily due to higher wages, medical premiums, security and safety costs, and maintenance expenses.

The Maritime Division represented 27.9% of the Port's total operating expenses in fiscal year 2015. Maritime's operating expenses increased approximately \$5,331 thousand or 12.3% from \$43,201 thousand in fiscal year 2014 to \$48,532 thousand in fiscal year 2015. The increase is primarily due to higher wages, medical premiums, maintenance expenses, truck parking expenses resulting from increased volume, and utility expenses resulting from utilization of the shore power program.

The Commercial Real Estate Division represented 5.9% of the Port's total operating expenses in fiscal year 2015. Commercial Real Estate's operating expenses increased approximately \$355 thousand or 3.6% from \$9,874 thousand in fiscal year 2014 to \$10,229 thousand in fiscal year 2015. The increase is primarily due to higher wages, medical premiums and maintenance costs.

Depreciation Expense by Division

A summary of depreciation expense as of June 30 follows (in thousands):

<u>Division</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Aviation	\$ 50,000	\$ 46,587	\$ 42,738
Maritime	51,397	52,077	53,404
Commercial Real Estate	2,680	3,095	3,117
Total	<u>\$ 104,077</u>	<u>\$ 101,759</u>	<u>\$ 99,259</u>

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Depreciation Expense by Division (continued)

A summary of depreciation expense for non-grant funded assets and grant funded assets for June 30 (in thousands) follows:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Non-grant funded assets	\$ 81,068	\$ 70,625	\$72,755
Grant funded assets (including those funded by PFCs)	<u>23,009</u>	<u>31,134</u>	<u>26,504</u>
Total depreciation expense	<u>\$104,077</u>	<u>\$101,759</u>	<u>\$99,259</u>

2016

In fiscal year 2016, depreciation expense increased \$2,318 thousand or 2.3%. Maritime's depreciation decreased approximately \$680 thousand due to several assets that fully depreciated during the year. Aviation depreciation expense increased \$3,413 thousand due to assets placed into service near the end of fiscal year 2015 and several additions placed in service during the first half of fiscal year 2016. The most significant assets placed in service by the Aviation division related to the Airport Runway Safety Area project. Commercial Real Estate's depreciation decreased approximately \$415 thousand due to several assets that fully depreciated during the year.

2015

In fiscal year 2015, depreciation expense increased \$2,500 thousand or 2.5%. Maritime depreciation decreased approximately \$1,327 thousand due to several assets that fully depreciated during the year. Aviation depreciation expense increased \$3,849 thousand due to assets placed into service near the end of fiscal year 2014 and several additions placed in service during the first half of fiscal year 2015. The most significant assets placed in service by the Aviation division related to the Airport Runway Safety Area, BART-Oakland Airport Connector and the Terminal 1 retrofit and renovation projects.

Interest Expense

Interest expense decreased \$1,747 thousand or 3.4% in fiscal year 2016 from \$51,636 thousand in fiscal year 2015 to \$49,889 thousand in fiscal year 2016. This was following a decrease in interest expense in fiscal year 2015 of \$2,341 thousand or 4.3% from \$53,977 in fiscal year 2014. In both cases the decreases in interest expense were the result of scheduled principal payments reducing the overall amount of debt outstanding.

Gain on Lease Termination

In fiscal year 2016 the Port recognized a one-time gain on lease terminal of \$35,200 thousand for the net impact of the closure of Outer Harbor Terminal (formerly Ports America Outer Harbor Terminal). The gain was composed of the immediate recognition of unamortized unearned revenue from the rental contract of \$46,977 thousand, the recognition of security deposits and settlement fees of \$10,560 thousand, offset by the recognition of a loss contingency for deferred maintenance of the leased property of \$22,337 thousand. While the Port recognized a net gain in 2016, the Port is anticipating short-term decreases in maritime revenue as a result of the terminal closing.

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Capital Contributions

Capital contributions consist solely of grants received from other government agencies. Grants, for the most part, are restricted for the acquisition or construction of capital assets.

In fiscal year 2016, grants from government agencies decreased approximately \$38,876 thousand or 52.7% from \$73,725 thousand in fiscal year 2015 to \$34,849 thousand in fiscal year 2016. The decrease is primarily due to a decrease in capital spending on two grant funded projects. The Outer Harbor Intermodal Terminal Railyard Phase 1 development, partially funded by a Trade Corridor Improvement Fund grant, and the Runway Safety Area project, partially funded with Airport Improvement Program grants, were substantially completed during fiscal year 2016. In fiscal year 2016 the majority of capital contributions recognized by the Port consisted of approximately \$14,074 thousand in grant funding from the Trade Corridor Improvement Fund grant and \$17,285 thousand in grant funding from various Airport Improvement Program grants.

In fiscal year 2015, grants from government agencies increased approximately \$13,390 thousand or 22.2% from \$60,335 thousand in fiscal year 2014 to \$73,725 thousand in fiscal year 2015. The increase is driven by continued capital spending on two large grant funded projects. The Outer Harbor Intermodal Terminal Railyard Phase 1 development, partially funded by a Trade Corridor Improvement Fund, and the Runway Safety Area project, partially funded with Airport Improvement Program grants. In fiscal year 2015 the majority of capital contributions recognized by the Port consisted of approximately \$33,212 thousand in grant funding from the Trade Corridor Improvement Fund grant and \$31,616 thousand in grant funding from various Airport Improvement Program grants.

Capital Assets (net of depreciation) and Capital Improvement Program

A summary of Capital Assets, net of depreciation and amortization as of June 30 follows (in thousands):

	<u>2016</u>	%	<u>2015</u>	%	<u>2014</u>
		<u>Change</u>		<u>Change</u>	
Capital assets:					
Land	\$ 523,374	0.0%	\$ 523,339	0.0%	\$ 523,283
Noise easements and air rights	25,852	0.0%	25,852	0.0%	25,852
Construction in progress	181,907	8.4%	167,751	-16.4%	200,709
Buildings and improvements	280,675	-7.8%	304,280	-7.4%	328,579
Container cranes	49,877	-8.8%	54,700	-8.1%	59,523
Infrastructure	1,099,661	0.3%	1,096,210	7.4%	1,020,455
Software	6,901	-15.9%	8,206	-11.7%	9,289
Other equipment	<u>30,773</u>	-4.1%	<u>32,073</u>	10.3%	<u>29,084</u>
Total	<u>\$ 2,199,020</u>	-0.6%	<u>\$ 2,212,411</u>	0.7%	<u>\$ 2,196,774</u>

Net capital assets decreased by approximately \$13,391 thousand or 0.6% in fiscal year 2016, due to capital asset additions of \$92,295 thousand, offset by retirements and abandoned construction in progress of \$1,750 thousand and an increase in accumulated depreciation of 103,936 thousand. Major additions to capital assets in fiscal year 2016 were related to Airport Terminal 1 retrofit and renovation; Airport Runway Safety Area project; and Outer Harbor Intermodal Terminal Railyard Phase 1.

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Capital Assets (net of depreciation) and Capital Improvement Program (continued)

Net capital assets increased by approximately \$15,637 thousand or 0.7% in fiscal year 2015, due to capital asset additions of \$117,455 thousand offset by retirements and abandoned construction in progress of \$5,679 thousand and an increase in accumulated depreciation of \$96,139 thousand. Major additions to capital assets in fiscal year 2015 included the BART – Oakland Airport Connector; Airport Terminal 1 retrofit and renovation; Airport Runway Safety Area improvements; and Oakland Logistics Center development project.

Additional information on the Port's capital assets can be found in Note 4 Changes in Capital Assets in the accompanying notes to the financial statements.

On June 23, 2016, a five-year (fiscal year 2017-2021) Capital Improvement Plan (CIP) in the amount of \$490 million was presented to the Board of Port Commissioners (Board) for informational purposes. For fiscal year 2017, the Board adopted a capital budget of \$113.6 million. The most significant projects in the five-year CIP are:

Aviation: Terminal 1 renovation and retrofit; Runway 12-30 rehabilitation; and International Arrival Building upgrades.

Maritime: Marine terminal improvements and Seaport Logistics Center development.

Debt Administration

The following table summarizes the Port's outstanding debt as of June 30 (in thousands):

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Bond Indebtedness	\$ 1,028,550	\$ 1,075,075	\$ 1,118,890
Dept. of Boating and Waterway Loan	4,678	4,914	5,140
Commercial Paper	<u>84,591</u>	<u>74,398</u>	<u>77,398</u>
Subtotal debt	1,117,819	1,154,387	1,201,428
Net unamortized premium (discount)	44,367	50,390	56,837
Total debt	<u>\$ 1,162,186</u>	<u>\$ 1,204,777</u>	<u>\$ 1,258,265</u>

In fiscal year 2016, the Port's total debt decreased approximately \$42,591 thousand or 3.5% from \$1,204,777 thousand in fiscal year 2015 to \$1,162,186 thousand in fiscal year 2016. The decrease resulted from principal payments of \$50,761 thousand on outstanding bonds, commercial paper, and a loan with the Department of Boating and Waterways and a decrease to unamortized bond premium totaling \$6,023 thousand. It was partially offset by the issuance of \$14,193 thousand of new commercial paper notes to reimburse the Port for capital project expenditures.

In fiscal year 2015, the Port's total debt decreased approximately \$53,488 thousand or 4.3% from \$1,258,265 thousand in fiscal year 2014 to \$1,204,777 thousand in fiscal year 2015. The decrease resulted from principal payments of \$47,041 thousand on outstanding bonds, commercial paper, and a loan with the Department of Boating and Waterways and a decrease to unamortized bond premium totaling \$6,447 thousand.

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Debt Administration (continued)

The debt coverage ratios for the fiscal years ended June 30 were as follows:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Senior Lien	3.30	3.28	3.34
Intermediate Lien	1.61	1.68	1.64

The Senior Lien and Intermediate Lien debt service coverage ratio is calculated pursuant to the bond indentures.

Additional information on the Port's debt activity can be found in Note 5 Debt and Note 16 Subsequent Events in the accompanying notes to the financial statements.

Credit Ratings

The Port's credit ratings as of June 30, 2016 are as follows:

- Standard & Poor's Rating Services (S&P) underlying rating on the Port's Senior Lien Bonds is "A+", and the underlying rating on the Intermediate Lien Bonds is "A". The rating on the Port's Commercial Paper Notes for all series is "A-1".
- Moody's Investors Service, Inc. (Moody's) underlying rating on the Port's Senior Lien Bonds is "A2", and the underlying rating on the Intermediate Lien Bonds is "A3". The rating on the Port's Commercial Paper Notes for all series is "P1".
- Fitch Ratings' (Fitch) underlying rating on the Port's Senior Lien Bonds is "A+" and the underlying rating on the Intermediate Lien Bonds is "A-". The rating on the Port's Commercial Paper Notes for Series A, Series B, and Series C is "F1", and the rating on the Port's Commercial Paper Notes for Series D, Series E, and Series F is "F1+".
- The Port's Intermediate Lien Bonds are insured by National Public Finance Guarantee Corp. whose S&P rating is "AA-".

An update on the Port's credit ratings can be found in Note 16 Subsequent Events in the accompanying notes to the financial statements.

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Notes to the Financial Statements

The notes to the Port's financial statements can be found on pages 21-59 of this report. These notes provide additional information that is essential to a full understanding of the financial statements.

Facts and Conditions Affecting the Port's Operation

Aviation

The Airport is one of three commercial airports serving the San Francisco Bay Area; the Airport, San Francisco International (SFO), and Norman Mineta San Jose International (SJC). The Bay Area airports, especially the Airport and SFO, serve overlapping markets and compete for passengers who frequently consider more than one Bay Area airport when purchasing air travel. Additionally, airlines may shift their operations among the Bay Area airports based upon local competition and each airline's market share goals. Air carriers also consider airport operating costs, the availability of airport facilities and, in some cases, the location of existing alliance partner flight activity as contributing factors in their flight schedule decision-making process. In addition to the aforementioned factors, the activity levels at the Airport are also sensitive to general economic conditions, acts of terrorism or disease epidemic/pandemic which could significantly impact demand for air travel. The Airport is unable to predict how market competition or future economic conditions will affect the Airport's operations.

Alaska Air Group, Inc., the parent company of Alaska Airlines and Horizon Air, and Virgin America, Inc., have announced plans to merge. These plans have been approved by Virgin America, Inc. shareholders but remain subject to regulatory approvals. While Virgin America does not have service at the Airport, Alaska Airlines and Horizon Air handled 6.5% of total enplaned passengers in fiscal year 2016, the second largest market share based on enplanements after Southwest Airlines. Further airline consolidation remains possible. While the Port does not expect that the Alaska Air Group and Virgin America merger will have a significant impact on the passenger traffic at the Airport, future mergers or alliances among airlines operating at the Airport may result in fewer flights or decreases in space rented by one or more airlines. Such decreases may result in reduced operating and PFC revenues.

Maritime

The Seaport is the principal ocean gateway for international containerized cargo shipments in Northern California, the nation's fourth largest metropolitan area. Historically, the Seaport has managed a balance of import and export trade, leading with a strong export base of California's premium agricultural products and other U.S. goods bound for foreign markets, making the Port sensitive to fluctuations in the global economy. Additionally, the Seaport competes with other U.S. West Coast ports, as well as with ports in other parts of the U.S. and in Canada and Mexico, for market share of discretionary intermodal rail cargo. Expansion of other ports or future infrastructure developments in the supply chain could result in greater diversion of this type of cargo from West Coast ports to East Coast and Gulf ports. As the Seaport continues to work towards expanding its market share of such cargo, these types of developments could hinder these efforts. The Port cannot predict the scope of potential impacts at this time.

The maritime industry has been facing significant economic pressure for some time, which has resulted in major financial losses, bankruptcy, marine terminal closure, and consolidation within segments of the supply chain. The following events illustrate how these supply chain pressures affected the Seaport over the last year and looking into the near future:

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- One of the world's largest ocean carriers (Hanjin Shipping) is in bankruptcy proceedings, and new alliances of major ocean carriers are under development. Aside from some temporary congestion, the Port does not expect Hanjin's bankruptcy to affect cargo volumes or terminal operations at the Seaport. Similarly, we do not expect pending alliance changes to have a material impact on overall cargo volumes at the Seaport, though the intra-Seaport cargo distribution may change; however, this expectation is based on very preliminary information and, as such, we cannot predict the final impact of anticipated changes, or future unforeseen changes, in the shipping industry.
- The Seaport lost a major marine terminal tenant in early 2016, causing a reduction of revenue in fiscal year 2016. Over 99% of the cargo handled by this terminal was non-discretionary cargo destined for or originating from Northern California locations; as such, the cargo has continued to be discharged/loaded in Oakland, but shifted to the remaining operating marine terminals. This unexpected terminal closure has improved capacity utilization at the remaining terminals, provided significant expansion opportunities for one terminal, and resulted in the operation of routine extended (night) gates in order to mitigate congestion.
- The maritime industry is also vulnerable to strikes and other union activities, particularly activities related to the unions employed by the marine terminal operators but also by "sympathetic" unions. For example, the Seaport experienced a slow-down of labor in early 2015 that caused congestion and cargo delays during labor contract negotiations. The Seaport's marine terminal leases provide certain assurances for revenue collection in the event of a strike or lockout; however, these assurances are inherently limited and are not designed to mitigate the impact of long-term cargo shifts to other ports if a labor disruption resulted in major cargo diversion.

Commercial Real Estate

Over the last decade, the Commercial Real Estate Division has leased most of its properties to developers or tenants under long-term ground leases, under which the developer or tenant is responsible for the development, subleasing, operation and maintenance of the improvements on the properties. The Port continues to work with the developers to ensure the properties are developed and managed in ways that are compliant with California Tidelands Trust regulations, however most of the development cost and financial risk is held by the developers.

Contacting the Port's Financial Management

Requests for additional information about this report, should be addressed to the Financial Services Division, Port of Oakland, 530 Water Street, Oakland, California 94607 or visit the Port's website at www.portofoakland.com.

Port of Oakland
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Statements of Net Position
June 30, 2016 and 2015
(dollar amounts in thousands)

	2016	2015
Assets		
Current assets:		
Unrestricted:		
Cash equivalents	\$ 296,454	\$ 198,946
Accounts receivable (less allowance for doubtful accounts of \$1,088 in 2016 and \$1,128 in 2015)	30,199	101,969
Prepaid expenses and other assets	3,219	3,527
Total unrestricted current assets	329,872	304,442
Restricted:		
Cash equivalents	12,375	9,424
Investments	57,719	57,867
Deposits in escrow	2,685	3,919
Passenger facility charges and customer facility charges receivable	2,958	2,914
Accrued interest receivable	161	170
Total restricted current assets	75,898	74,294
Total current assets	405,770	378,736
Non-current assets:		
Capital assets:		
Land	523,374	523,339
Noise easements and air rights	25,852	25,852
Construction in progress	181,907	167,751
Buildings and improvements	852,054	852,565
Container cranes	148,697	148,697
Infrastructure	1,943,951	1,871,579
Software	13,738	13,676
Other equipment	97,895	93,464
Total capital assets, at cost	3,787,468	3,696,923
Less accumulated depreciation	(1,588,448)	(1,484,512)
Capital assets, net	2,199,020	2,212,411
Other receivables	29,271	29,224
Other assets	12,208	12,013
Total non-current assets	2,240,499	2,253,648
Total assets	2,646,269	2,632,384
Deferred Outflows of Resources		
Loss on refunding	10,286	11,745
Deferred outflows related to pensions	34,290	15,077
Total Deferred Outflows of Resources	\$ 44,576	\$ 26,822

The accompanying notes are an integral part of these financial statements.

Port of Oakland
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Statements of Net Position (continued)
June 30, 2016 and 2015
(dollar amounts in thousands)

	2016	2015
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 26,980	\$ 42,179
Retentions on construction contracts	3,478	1,947
Environmental and other	15,853	10,548
Accrued interest	8,696	9,071
Long-term debt, net	54,822	52,257
Liability to City of Oakland	9,068	8,916
Unearned revenue	10,128	10,948
Total current liabilities	129,025	135,866
Non-current liabilities:		
Retentions on construction contracts	1,491	4,816
Environmental and other	42,877	22,241
Long-term debt, net	1,107,364	1,152,520
Net pension liability	177,204	164,918
Deposits	18,331	16,744
Other post employment benefits	10,121	10,249
Unearned revenue	32,419	82,957
Total non-current liabilities	1,389,807	1,454,445
Total liabilities	1,518,832	1,590,311
Deferred Inflows of Resources		
Deferred inflows related to pensions	29,467	29,137
Net Position		
Net investment in capital assets	1,097,049	1,053,882
Restricted for construction	14,840	12,066
Unrestricted	30,657	(26,190)
Total net position	\$ 1,142,546	\$ 1,039,758

(Concluded)

The accompanying notes are an integral part of these financial statements.

Port of Oakland
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Statements of Revenues, Expenses and Changes in Net Position
For the years ended June 30, 2016 and 2015
(dollar amounts in thousands)

	2016			2015	
	Aviation	Maritime	Commerical Real Estate	Total	Total
Operating revenues:					
Lease rentals - terminal	\$ 44,396	\$ 113,864	\$ -	\$ 158,260	\$ 172,236
Lease rentals - other	29,836	17,335	12,334	59,505	53,696
Parking fees and ground access	36,827	6,137	2,772	45,736	36,118
Landing fees	29,209	-	-	29,209	29,783
Terminal concessions	23,408	-	-	23,408	22,019
Utility sales	4,257	9,993	103	14,353	13,641
Fueling	2,336	-	-	2,336	2,940
Other	2,798	1,443	989	5,230	6,154
Total operating revenues	<u>173,067</u>	<u>148,772</u>	<u>16,198</u>	<u>338,037</u>	<u>336,587</u>
Operating expenses:					
Materials, contract services, supplies, and other	71,061	20,255	7,256	98,572	92,488
Maintenance	24,421	14,365	704	39,490	41,356
Advertising and promotion	3,335	1,816	363	5,514	5,148
Administration	14,652	14,166	1,650	30,468	27,597
Cost of utility sales	1,875	5,136	102	7,113	7,074
Depreciation	50,000	51,397	2,680	104,077	101,759
Total operating expenses	<u>165,344</u>	<u>107,135</u>	<u>12,755</u>	<u>285,234</u>	<u>275,422</u>
Operating income	<u>7,723</u>	<u>41,637</u>	<u>3,443</u>	<u>52,803</u>	<u>61,165</u>
Non-operating revenues (expenses):					
Interest income	266	1,289	594	2,149	1,783
Interest expense	(9,542)	(39,298)	(1,049)	(49,889)	(51,636)
Customer facility charges	5,939	-	-	5,939	6,253
Customer facility charges expenses	(4,307)	-	-	(4,307)	(4,137)
Passenger facility charges	22,929	-	-	22,929	21,478
Other income (expense)	4,706	(1,039)	77	3,744	3,176
Grant income	880	539	-	1,419	3,874
Grant expenses	(880)	(539)	-	(1,419)	(3,874)
Gain on long term lease termination	-	35,200	-	35,200	-
Gain (loss) on sale (disposal) of capital assets	(72)	(557)	-	(629)	84
Total non-operating revenue (expenses), net	<u>19,919</u>	<u>(4,405)</u>	<u>(378)</u>	<u>15,136</u>	<u>(22,999)</u>
Increase in net position before capital contributions	27,642	37,232	3,065	67,939	38,166
Capital contributions -					
Grants from government agencies	16,511	18,338	-	34,849	73,725
Increase in net position	<u>\$44,153</u>	<u>\$55,570</u>	<u>\$3,065</u>	102,788	111,891
Net position, beginning of the year				<u>1,039,758</u>	<u>927,867</u>
Net position, end of the year				<u>\$1,142,546</u>	<u>1,039,758</u>

(Concluded)

The accompanying notes are an integral part of these financial statements.

Port of Oakland
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Statements of Cash Flows
For the years ended June 30, 2016 and 2015
(dollar amounts in thousands)

	2016	2015
Cash flows from operating activities:		
Receipts from tenants and customers	\$ 340,981	\$ 332,838
Payments to suppliers	(89,741)	(80,917)
Payments to employees	(78,088)	(73,583)
Payments to employee retirement plans	(16,386)	(14,694)
Proceeds from lease termination	10,560	-
Other non-operating payments	(2,488)	(419)
Other non-operating receipts	2,325	-
Net cash provided by operating activities	167,163	163,225
Cash flows from noncapital financing activities:		
Proceeds from government agencies for recovery of operating costs	1,419	3,874
Proceeds from insurance and other recoveries	4,886	3,244
Net cash provided by noncapital financing activities	6,305	7,118
Cash flows from capital and related financing activities:		
Proceeds from new borrowings	38,176	59,398
Repayments/refunding of debt	(74,744)	(106,439)
Grants from government agencies	99,220	27,159
Interest paid on debt	(54,828)	(56,742)
Purchase of capital assets	(108,891)	(118,358)
Proceeds from sale of capital assets	1	352
Customer facility charge and passenger facility charge receipts	24,564	19,400
Net cash used in capital and related financing activities	(76,502)	(175,230)
Cash flows from investing activities:		
Interest received on investments	2,111	1,571
Purchase of restricted investments	(56,485)	(57,867)
Proceeds from maturity of restricted investments	57,867	1,630
Net cash (used in)/provided by investing activities	3,493	(54,666)
Net increase (decrease) in cash equivalents	100,459	(59,553)
Cash equivalents, beginning of year	208,370	267,923
Cash equivalents, end of year	\$ 308,829	\$ 208,370

(Continued)

The accompanying notes are an integral part of these financial statements.

Port of Oakland
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Statements of Cash Flows (continued)
For the years ended June 30, 2016 and 2015
(dollar amounts in thousands)

	2016	2015
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 52,803	\$ 61,165
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	104,077	101,759
Proceeds from lease termination	10,560	-
Other	(163)	(419)
Net effects of changes in:		
Accounts receivable, net of capital grants	5,980	(11,779)
Prepaid expenses and other current assets	113	434
Other receivables and assets	(47)	13,947
Accounts payable and accrued liabilities	(525)	3,482
Liability to City of Oakland	152	3,763
Unearned revenue	(4,381)	(6,175)
Deposits	1,587	258
Environmental and other liabilities	3,604	(245)
Net pension liability and related deferred outflow/inflow of resources	(6,597)	(2,965)
Net cash provided by operating activities	\$ 167,163	\$ 163,225
Non-cash capital and related financing activities:		
Acquisition of capital assets in accounts payable and accrued liabilities	\$ 6,160	\$ 20,962
Net change in retention on capital construction contracts	(1,794)	(2,223)
Loss on disposal of capital assets	630	140
Abandoned construction in process and other capital assets	979	-
Gain on sale of capital assets	1	224
Net change in grants receivable	(64,371)	45,535
Long term lease termination:		
Loss contingency for deferred maintenance	22,337	-
Recognized unearned income	(46,977)	-

(Concluded)

The accompanying notes are an integral part of these financial statements.

Port of Oakland
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Notes to Financial Statements
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1. Organization

The Port of Oakland, California (Port) was established in 1927 by the City of Oakland (City) and is included as a component unit in the City's basic financial statements. The accompanying financial statements include the operations of the Oakland International Airport (Airport or OAK), the maritime facilities (Seaport) and commercial real estate holdings.

The Port is governed by a seven-member Board of Port Commissioners (Board) whose members are appointed by the City Council, upon nomination by the Mayor. The Board appoints an Executive Director to administer operations. The Port prepares and controls its own budget, administers and controls its fiscal activities, and is responsible for all Port construction and operations. The Port is required by the City Charter to deposit its revenues in the City Treasury. The City Treasurer is responsible for investing and managing such funds.

2. Significant Accounting Policies

Basis of Accounting

The Port's financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as applied to governmental units. Revenues are recognized when they are earned and expenses are recognized when they are incurred.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflow/inflow of resources, and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are used to record environmental remediation liabilities, accounts receivable and grant receivable accruals, allowance for doubtful accounts, depreciation expense, net pension liability, other post-employment benefits costs and various expense allocations. Actual results could differ from those estimates.

Net Position

Net position represents the residual interest in the Port's assets and deferred outflows of resources after liabilities and deferred inflows of resources are deducted. Net position consists of three sections: net investment in capital assets, restricted for construction, and unrestricted. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of debt that is attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources or deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position. The restricted component of net position consists of restricted assets reduced by liabilities related to those assets. As of June 30, 2016 and 2015, the statement of net position reported \$14,840,000 and \$12,066,000, respectively, as restricted for construction.

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Cash Equivalents

The Port considers highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The Port's cash and investments in the City Treasury are, in substance, demand deposits and are considered cash equivalents.

Investments

The Port reports its investments at fair value in the accompanying financial statements and the corresponding change in fair value of investments is reported in the year in which the change occurs. The cash and investments held in the City Treasury and government securities money market mutual fund investments are valued at amortized costs.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are recorded for invoices issued to customers and granting agencies in accordance with contractual arrangements. The allowance for doubtful accounts is based on a tiered percentage of significantly aged receivables. Accounts receivable are written-off against the allowance when deemed uncollectible. Recoveries of receivables previously written-off are recorded when received.

Restricted Assets

Assets whose use is restricted to specific purposes by bond indenture or regulation are segregated on the statements of net position.

Capital Assets

Capital assets are stated at cost and it is the policy of the Port to capitalize all expenses related to capital assets greater than \$5,000. Interest costs applicable to constructed assets are capitalized as part of the cost of the assets. Interest earned on temporary investment of the proceeds from qualifying tax-exempt debt is offset against interest costs capitalized. Depreciation expense is calculated using the straight-line method over the following estimated useful lives of the assets:

Buildings and improvements	5 to 50 years
Container cranes	25 years
Infrastructure	10 to 50 years
Other equipment	3 to 40 years
Software	3 to 10 years

Tenant improvements paid for by the tenants and owned by the Port are recorded as capital assets with an offsetting credit to unearned revenue. The asset is amortized over the shorter of the life of the lease or the life of the asset and the unearned revenue is amortized over the same terms.

Intangible assets which are identifiable are recorded as capital assets. The Port has identified noise easements, air rights and computer software development costs as intangible assets. Intangible assets not having indefinite useful lives are amortized over the estimated useful life of the asset.

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Other Receivables

Other receivables include future lease receipts from a fifty-year finance lease agreement associated with the sale and lease of the Marina as discussed in Note 7.

Loss on Refunding

The loss on refunding at the time of a refunding is reported as deferred outflow of resources and is amortized as interest expense over the shorter of the remaining life of the refunded bonds or life of the new bonds.

Unearned Revenue

Unearned interest revenue and prepaid rent related to tenant leases are deferred and amortized principally on the straight-line method over the life of the remaining lease term.

Compensated Absences

The Port accrues employee benefits, including accumulated vacation and sick leave, as liabilities in the period the benefits are earned.

Operating Revenues and Expenses

Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of the Port. Operating revenues consist primarily of charges for services. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing activities. When an expense is incurred for purposes for which there are both restricted and unrestricted assets available, it is the Port's policy to first utilize available restricted assets and then to utilize unrestricted assets.

Allocation of Expenses to the Port Businesses

The Port records to each of its revenue divisions (Aviation, Maritime, and Commercial Real Estate) expenses directly related to those operations. In addition, the Port annually allocates indirect expenses to these divisions based on an expense allocation methodology. Allocated expenses include general operating expenses, maintenance, advertising and promotion, and administrative expenses.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position of the Port's pension plan, and additions to/deductions from the Port's pension plan's fiduciary net position have been determined on the same basis as they are reported by the plan's administrator, State of California's Public Employees' Retirement System (CalPERS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms.

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Grants from Government Agencies

Grants, for the most part, are restricted for the acquisition or construction of capital assets. Such grants are recorded as revenue when all eligibility requirements imposed by the provider have been met. Grants that reimburse for costs that would have otherwise been reported as operating expenses are reported as non-operating revenue and the corresponding expense reported as non-operating expense.

Passenger Facility Charges

The Port, as authorized by the Federal Aviation Administration (FAA) pursuant to the Aviation Safety and Capacity Expansion Act of 1990 (the Act), as amended, currently imposes a Passenger Facility Charge (PFC) of \$4.50 for each enplaning passenger at the Airport. Under the Act, air carriers are responsible for the collection of PFC and are required to remit PFC revenues to the Port in the following month after they are recorded by the air carrier. The Port has three approved and active applications with the FAA to collect and use PFC funds for specific purposes. The current authority to impose PFCs is estimated to end February 1, 2035.

PFC revenues, including any interest earned thereon, are restricted solely to finance allowable costs of new airport planning and development projects as defined and authorized by the FAA. PFC revenues may be used to pay debt service and related expenditures associated with FAA approved projects and the Port has received FAA approval to pay certain debt service if debt proceeds are used for qualifying projects. PFC revenues are recorded as non-operating revenue and any unspent PFC revenues are recorded as restricted cash.

Customer Facility Charges

Under Section 1936 of the California Civil Code, and pursuant to a Port ordinance effective January 2009, the rental car companies operating at the Airport are required to collect from the rental customers and remit to the Port a \$10-per-transaction Customer Facility Charge (CFC). The revenues from CFCs collected by the Port are funding the common use shuttle bus operations between the terminal and rental car facility and are eligible to fund common use rental car facility capital improvements. CFC revenues are recorded as non-operating revenue and expenses reimbursed with CFC funds are recorded as non-operating expense. Any unspent CFC revenues are recorded as restricted cash.

Effects of New Pronouncements

In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application* (GASB 72). This statement addresses accounting and financial reporting issues related to fair value measurements. GASB 72 requires the use of valuation techniques which are appropriate under the circumstances and are consistent with the market approach, the cost approach or the income approach. GASB 72 establishes a hierarchy of inputs used to measure fair value consisting of three levels. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are inputs other than quoted prices included with Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs. GASB 72 also contains note disclosure requirements regarding the hierarchy of valuation inputs and valuation techniques that was used for the fair value measurement.

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Effects of New Pronouncements (continued)

As of July 1, 2015, the Port adopted the provisions of GASB 72, which did not have a significant impact on its financial statements. All required disclosures are added to Note 3 Cash, Cash Equivalents, Investments, and Deposits. For those investments held in the City Treasury, the City discloses the requirements regarding the hierarchy of valuation inputs and techniques used for the fair value measurements at the City-wide level in its financial reporting. However, such disclosure is not required at the department level for those investments held in the City Treasury.

In June 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* (GASB 76). This statement establishes the hierarchy of generally accepted accounting principles (GAAP) for state and local governments. The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The new standard is effective for fiscal years beginning after June 15, 2015. As of July 1, 2015, the Port adopted the provisions of GASB 76, which did not have a significant impact on its financial statements.

New Accounting Pronouncements Not Yet Adopted

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75). GASB 75 is intended to make Other Post Employment Benefits (OPEB) accounting and financial reporting consistent with the pension standards outlined in GASB 68. This will include recognizing a net OPEB liability in accrual-basis financial statements. This statement is effective for fiscal years beginning after June 15, 2017. This statement applies to government employers who provide OPEB plans to their employees. Application of this statement is effective for the Port’s fiscal year ending June 30, 2018.

In March 2016, GASB issued Statement No. 82, *Pension Issues*, an amendment of GASB Statements No. 67, No 68, and No. 73. This statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan members) contribution requirements. The new standard is effective for periods beginning after June 15, 2016.

Reclassification and Presentation

Certain reclassifications of prior year’s balances have been made to conform with the current year presentation. The reclassifications have no effect on the total net position, change in net position or net changes in cash equivalents.

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3. Cash, Cash Equivalents, Investments, and Deposits

The Port's cash, cash equivalents, investments and deposits in escrow consisted of the following at June 30 (in thousands):

	2016	2015
U.S. Treasury Notes	\$ 57,719	\$ 57,867
Government Securities Money Market Mutual Funds	493	272
City Investment Pool	308,336	208,098
Deposits in Escrow	2,685	3,919
	\$ 369,233	\$ 270,156

Deposits in Escrow

Deposits in escrow consist of amounts received from construction contractors that are deposited into an escrow account in-lieu of retention withheld from construction progress billings. Interest on these deposits accrues to the contractor.

Investments

Senior Lien Bonds reserves are on deposit with the Senior Lien Bonds trustee. The investment of funds held by the Senior Lien Bonds trustee is governed by the Senior Trust Indenture and is currently invested in either 1) U.S. Treasury Notes or 2) Government Securities Money Market Mutual Funds. There were no investments pertaining to the Intermediate Lien Bonds.

Under the City Charter, all cash receipts from the operations of the Port are deposited in the City Investment Pool. These funds are managed and invested by the City, pursuant to the City's Investment Policy, that the City administers and reviews annually. For this reason, the Port does not maintain its own investment policy, and relies on the City Investment Policy to mitigate the risks described within this footnote.

At June 30, 2016, the Port had the following investments (in thousands):

	Fair Value	Credit Rating per Moody's	Maturity	
			Less than 1 Year	1-5 Years
U.S. Treasury Notes	\$ 57,719	Aaa	\$ 57,719	\$ -
Government Securities Money Market Mutual Funds	493	Aaa	493	-
City Investment Pool	308,336	Not rated	308,336	-
Total Investments	\$ 366,548		\$ 366,548	\$ -

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Investments (continued)

At June 30, 2015, the Port had the following investments (in thousands):

	<u>Fair Value</u>	<u>Credit Rating per Moody's</u>	<u>Maturity</u>	
			<u>Less than 1 Year</u>	<u>1-5 Years</u>
U.S. Treasury Notes	\$ 57,867	Aaa	\$ -	\$ 57,867
Government Securities Money Market Mutual Funds	272	Aaa	272	-
City Investment Pool	208,098	Not rated	208,098	-
Total Investments	<u>\$ 266,237</u>		<u>\$ 208,370</u>	<u>\$ 57,867</u>

Fair Value Hierarchy

The Port categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. The inputs and techniques used for valuing securities are not necessarily an indication of risk associated with investing in those securities. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. The Port does not have any of its investments using level 2 or 3 inputs.

The following is a summary of the fair value hierarchy of investments held by the Port as of June 30, 2016 and 2015 (in thousands):

Investments by Fair Value Level	Fair Value Measurements Using Quoted Prices in Active Markets for Identical Assets (Level 1)			Fair Value Measurements Using Quoted Prices in Active Markets for Identical Assets (Level 1)		
	2016	Investments Exempt from Fair Value	2015	Investments Exempt from Fair Value	2016	2015
U.S. Treasury Notes	\$ 57,719	\$ -	\$ 57,719	\$ 57,867	\$ -	\$ 57,867
Government Securities*	493	493	-	272	272	-
City Investment Pool	308,336	308,336	-	208,098	208,098	-
Total Investments	<u>\$ 366,548</u>	<u>\$ 308,829</u>	<u>\$ 57,719</u>	<u>\$ 266,237</u>	<u>\$ 208,370</u>	<u>\$ 57,867</u>

*Money market funds

Investment securities classified in Level 1 of the fair value hierarchy consist of U.S. Treasury Notes and are valued using quoted prices in active markets. Investments exempt from fair value treatment consist of Government Securities Money Market Mutual Funds, which are valued at amortized cost, and the City Investment Pool, whose fair value disclosure is presented at the City-wide level in the City's financial reporting.

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Investments Authorized by Debt Agreements

The following are the types of investments generally allowed under the Senior Trust Indenture and the Intermediate Trust Indenture (Intermediate Trust Indenture, together with the Senior Trust Indenture, are referred to as the Trust Indentures): U.S. Government Securities, U.S. Agency Obligations, obligations of any State in the U.S., prime commercial paper, FDIC insured deposits, certificates of deposit/banker's acceptances, money market mutual funds, long or medium-term corporate debt, repurchase agreements, state-sponsored investment pools, investment contracts, and forward delivery agreements.

Interest Rate Risk

This risk represents the possibility that an interest rate change could adversely affect an investment's fair value. Pursuant to the City Charter, all cash receipts from Port operations are deposited in the City Investment Pool. For this reason, the Port does not have a formal policy to manage interest rate risk.

In order to manage interest rate risk:

- Proceeds from bonds are invested in permitted investments, as stated in the Trust Indentures.
- The deposits held by the City Treasury are invested pursuant to the City's Investment Policy and Section 53601 of the State of California Government Code, which limits the maximum maturity of any investment to be no longer than 5 years. Also, Section 53601 limits the maximum maturity of any investment to be no longer than 5 years unless authority for such investment is expressly granted in advance by the City Council or authorized by bond covenants.

Credit Risk

This risk represents the possibility that the issuer/counterparty to an investment will be unable to fulfill its obligation. Pursuant to the City Charter, all cash receipts from Port operations are deposited in the City Investment Pool. For this reason, the Port does not have a formal policy to manage credit risk.

In order to manage credit risk:

- Provisions of the Trust Indentures prescribe restrictions on the types of permitted investments of the monies held by the trustee in the funds and accounts created under the Trust Indentures, including agreements or financial institutions that must meet certain ratings, such as certain investments that must be rated in either of the two highest ratings by S&P and Moody's.
- The deposits with the City Treasury are invested in short-term debt that is rated at least A-1 by S&P, P-1 by Moody's or F-1 by Fitch Ratings. Long-term debt shall be rated at least A by S&P, A2 by Moody's, and A by Fitch Ratings.

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Concentration of Credit Risk

The Trust Indentures place no limit on the amount the Port may invest in any one issuer.

Port revenues are deposited in the City Treasury. These and all City funds are pooled and invested in the City Investment Pool. The City has adopted an investment policy that provides for the following:

- The maximum maturity for any one investment may not exceed 5 years.
- No more than 5 percent of the total assets of the investments held by the City may be invested in the securities of any one issuer except:
 - obligations of the United States government;
 - United States government sponsored enterprises;
 - insured certificates of deposit;
 - local government investment pools; and
 - money market investment funds.
- Permitted investments include U.S. treasury securities, federal agency and instrumentalities, banker's acceptances, commercial paper, asset-backed commercial paper, local government investment pools, medium-term notes, negotiable certificates of deposit, repurchase agreements, reverse repurchase agreements, secured obligations and agreements, certificates of deposit, money market mutual funds, state investment pool (Local Agency Investment Fund), local City/agency bonds and State of California obligations, and other local agency bonds. At the end of FY 2014-15 the City expanded its definition of permitted investments to include dollar-denominated obligations issued by supranational organizations.
- All investments are to be secured through third party custody and safekeeping procedures. All securities purchased from dealers and brokers are held in safekeeping by the City's custodial bank, which establishes ownership by the City.
- Additional information regarding deposit custodial credit, interest and credit risks, and securities lending transactions of the City Investment Pool is presented in the notes of the City's basic financial statements. Requests for financial information should be addressed to the Finance and Management Agency, Accounting Division, City of Oakland, 150 Frank H. Ogawa Plaza, Suite 5330, Oakland, California 94612-2093.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution or counterparty to a transaction, the Port will not be able to recover the value of its investment or collateral securities that are in possession of another party.

To protect against custodial credit risk:

- All securities owned by the Port under the terms of the Trust Indentures are held in the name of the Port for safekeeping by a third party bank trust department, acting as an agent for the Port. The Port had investments held by a third party bank trust department in the amount of \$58,212,000 and \$58,139,000 at June 30, 2016 and 2015, respectively.
- All securities the Port has invested with the City are held in the name of the City for safekeeping by a third party bank trust department, acting as an agent for the City under the terms of the custody agreements. The Port had \$308,336,000 and \$208,098,000 invested in the City Investment Pool at June 30, 2016 and 2015, respectively.

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Custodial Credit Risk (continued)

The carrying amount of the Port's deposits in escrow was held with two separate banks and totals \$2,685,000 at June 30, 2016 and \$3,919,000 at June 30, 2015. Of this amount, bank balances and escrow deposits of \$250,000 at each bank on June 30, 2016 and on June 30, 2015, are insured or collateralized with securities held by the pledging financial institution's trust department in the Port's name and the remaining balance of \$2,185,000 as of June 30, 2016 and \$3,419,000 as of June 30, 2015, was exposed to custodial credit risk by not being insured or collateralized.

4. Changes in Capital Assets

A summary of changes in capital assets for the year ended June 30, 2016, is as follows (in thousands):

	Beginning Balance July 1, 2015	Additions	Adjustments and Retirements	Transfers	Ending Balance June 30, 2016
Capital assets not being depreciated					
Land	\$ 523,339	\$ -	\$ -	\$ 35	\$ 523,374
Intangibles (noise easements and air rights)	25,852	-	-	-	25,852
Construction in progress	167,751	90,264	(698)	(75,410)	181,907
Total capital assets not being depreciated	<u>716,942</u>	<u>90,264</u>	<u>(698)</u>	<u>(75,375)</u>	<u>731,133</u>
Capital assets being depreciated					
Buildings and improvements	852,565	-	(629)	118	852,054
Container cranes	148,697	-	-	-	148,697
Infrastructure	1,871,579	-	(44)	72,416	1,943,951
Software	13,676	-	-	62	13,738
Other equipment	93,464	2,031	(379)	2,779	97,895
Total capital assets being depreciated	<u>2,979,981</u>	<u>2,031</u>	<u>(1,052)</u>	<u>75,375</u>	<u>3,056,335</u>
Less accumulated depreciation for					
Buildings and improvements	(548,285)	(23,147)	53	-	(571,379)
Container cranes	(93,997)	(4,823)	-	-	(98,820)
Infrastructure	(775,369)	(68,868)	(53)	-	(844,290)
Software	(5,470)	(1,367)	-	-	(6,837)
Other equipment	(61,391)	(5,872)	141	-	(67,122)
Total accumulated depreciation	<u>(1,484,512)</u>	<u>(104,077)</u>	<u>141</u>	<u>-</u>	<u>(1,588,448)</u>
Total being depreciated, net	<u>1,495,469</u>	<u>(102,046)</u>	<u>(911)</u>	<u>75,375</u>	<u>1,467,887</u>
Total capital assets, net	<u>\$ 2,212,411</u>	<u>\$ (11,782)</u>	<u>\$ (1,609)</u>	<u>\$ -</u>	<u>\$ 2,199,020</u>

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Changes in Capital Assets (continued)

A summary of changes in capital assets for the year ended June 30, 2015, is as follows (in thousands):

	Beginning Balance July 1, 2014	Additions	Adjustments and Retirements	Transfers	Ending Balance June 30, 2015
Capital assets not being depreciated					
Land	\$ 523,283	\$ -	\$ -	\$ 56	\$ 523,339
Intangibles (noise easements and air rights)	25,852	-	-	-	25,852
Construction in progress	200,709	117,003	-	(149,961)	167,751
Total capital assets not being depreciated	<u>749,844</u>	<u>117,003</u>	<u>-</u>	<u>(149,905)</u>	<u>716,942</u>
Capital assets being depreciated					
Buildings and improvements	851,650	-	-	915	852,565
Container cranes	153,417	-	(4,720)	-	148,697
Infrastructure	1,730,806	-	-	140,773	1,871,579
Software	13,391	-	-	285	13,676
Other equipment	86,039	452	(959)	7,932	93,464
Total capital assets being depreciated	<u>2,835,303</u>	<u>452</u>	<u>(5,679)</u>	<u>149,905</u>	<u>2,979,981</u>
Less accumulated depreciation for					
Buildings and improvements	(523,071)	(25,214)	-	-	(548,285)
Container cranes	(93,894)	(4,823)	4,720	-	(93,997)
Infrastructure	(710,351)	(65,018)	-	-	(775,369)
Software	(4,102)	(1,368)	-	-	(5,470)
Other equipment	(56,955)	(5,336)	900	-	(61,391)
Total accumulated depreciation	<u>(1,388,373)</u>	<u>(101,759)</u>	<u>5,620</u>	<u>-</u>	<u>(1,484,512)</u>
Total being depreciated, net	<u>1,446,930</u>	<u>(101,307)</u>	<u>(59)</u>	<u>149,905</u>	<u>1,495,469</u>
Total capital assets, net	<u>\$ 2,196,774</u>	<u>\$ 15,696</u>	<u>\$ (59)</u>	<u>\$ -</u>	<u>\$ 2,212,411</u>

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5. Debt

Long-term debt consists of the following at June 30, 2016 and 2015 (in thousands):

	Interest Rate	Fiscal Maturity Year	Original Amount	Beginning Balance July 1, 2015	Additions	Reductions ²	Ending Balance June 30, 2016	Principal Due Within One Year
Senior Lien Bonds								
2011 Revenue Bonds Series O	3.375-5.125%	2031	\$ 345,730	\$ 312,765	\$ -	\$ 14,440	\$ 298,325	\$ 11,360
2012 Revenue Bonds Series P	3.00-5.00	2033	380,315	369,520	-	525	368,995	-
Total Senior Lien Bonds			<u>726,045</u>	<u>682,285</u>	<u>-</u>	<u>14,965</u>	<u>667,320</u>	<u>11,360</u>
Dept. of Boating and Waterway (DBW) Loan								
Small Craft Harbor Revenue Bonds, Series 1993	4.50	2030	7,176	4,914	-	236	4,678	247
Intermediate Lien Bonds								
2007 Revenue Bonds Series A	4.00-5.00	2030	242,075	158,685	-	2,715	155,970	2,905
2007 Revenue Bonds Series B	4.00-5.00	2030	182,450	155,540	-	17,625	137,915	18,055
2007 Revenue Bonds Series C	5.00	2020	78,565	78,565	-	11,220	67,345	16,665
Total Intermediate Lien Bonds			<u>503,090</u>	<u>392,790</u>	<u>-</u>	<u>31,560</u>	<u>361,230</u>	<u>37,625</u>
Commercial Paper¹								
Series A, B, C Notes	0.07-0.47	2017	N/A	-	38,176	-	38,176	7
Series D, E, F Notes	0.02-0.49	2017	N/A	74,398	-	27,983	46,415	-
Total Commercial Paper				<u>74,398</u>	<u>38,176</u>	<u>27,983</u>	<u>84,591</u>	<u>7</u>
Sub-Total				1,154,387	38,176	74,744	1,117,819	49,239
Net unamortized bond premium (discount), net				50,390	(52)	5,971	44,367	5,583
Total Debt				<u>1,204,777</u>	<u>38,124</u>	<u>80,715</u>	<u>1,162,186</u>	<u>\$ 54,822</u>
Current maturities of long-term debt				<u>(52,257)</u>	<u>(54,822)</u>	<u>(52,257)</u>	<u>(54,822)</u>	
Total Debt - long-term portion				<u>\$ 1,152,520</u>	<u>\$ (16,698)</u>	<u>\$ 28,458</u>	<u>\$ 1,107,364</u>	

¹As of June 30, 2016, the Port has capacity to issue an aggregate principal amount of commercial paper notes up to \$200 million.

²Includes purchase of \$525,000 of 2012 Revenue Bonds Series P in June 2016.

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Debt (Continued)

Long-term debt consists of the following at June 30, 2015 and 2014 (in thousands):

	Interest Rate	Fiscal Maturity Year	Original Amount	Beginning Balance July 1, 2014	Additions	Reductions ²	Ending Balance June 30, 2015	Principal Due Within One Year
Senior Lien Bonds								
2011 Revenue Bonds Series O	2.25-5.125%	2031	\$ 345,730	\$ 321,525	\$ -	\$ 8,760	\$ 312,765	\$ 14,440
2012 Revenue Bonds Series P	3.00-5.00	2033	380,315	377,050	-	7,530	369,520	-
Total Senior Lien Bonds			726,045	698,575	-	16,290	682,285	14,440
Dept. of Boating and Waterway (DBW) Loan								
Small Craft Harbor Revenue Bonds, Series 1993	4.50	2030	7,176	5,140	-	226	4,914	236
Intermediate Lien Bonds								
2007 Revenue Bonds Series A	4.00-5.00	2030	242,075	173,870	-	15,185	158,685	2,715
2007 Revenue Bonds Series B	4.00-5.00	2030	182,450	167,880	-	12,340	155,540	17,625
2007 Revenue Bonds Series C	5.00	2020	78,565	78,565	-	-	78,565	11,220
Total Intermediate Lien Bonds			503,090	420,315	-	27,525	392,790	31,560
Commercial Paper¹								
Series A, B, C Notes	0.08-0.09	2016	N/A	62,398	-	62,398	-	-
Series D, E, F Notes	0.05-0.15	2016	N/A	15,000	59,398	-	74,398	4
Total Commercial Paper				77,398	59,398	62,398	74,398	4
Sub-Total				1,201,428	59,398	106,439	1,154,387	46,240
Net unamortized bond premium and discount				56,837	(22)	6,425	50,390	6,017
Total Debt				1,258,265	59,376	112,864	1,204,777	\$ 52,257
Current maturities of long-term debt				(49,919)	(52,257)	(49,919)	(52,257)	
Total Debt - long-term portion				\$ 1,208,346	\$ 7,119	\$ 62,945	\$ 1,152,520	

¹As of June 30, 2015, the Port has capacity to issue an aggregate principal amount of commercial paper notes up to \$200 million.

²Includes purchase of \$570,000 of 2012 Revenue Bonds Series P in June 2015.

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Debt Service

The Port's long-term debt and final maturity is identified in the schedules at the beginning of Note 5 and consists of tax-exempt bonds, short-term commercial paper notes and a loan from the California Department of Boating and Waterways. All of the Port's outstanding bonds, loans and commercial paper notes have been issued to finance or refinance capital improvements to the Port's aviation, maritime and commercial real estate infrastructure. The majority of the Port's outstanding bonds are revenue bonds, which are secured by Pledged Revenues of the Port. Pledged Revenues are substantially all revenues and other cash receipts of the Port, including, without limitation, amounts held in the Port Revenue Fund with the City, but excluding amounts received from certain taxes, certain insurance proceeds, special facilities revenues, and certain other gifts, fees, and grants that are restricted by their terms to purposes inconsistent with the payment of debt service. In fiscal year 2016 pledged revenues amounted to \$340,139,000.

Pledged Revenues do not include cash received from PFCs or CFCs unless projects included in a financing are determined to be PFC or CFC eligible and bond proceeds are expended on such eligible projects and the Port elects to pledge PFCs or CFCs as supplemental security to such applicable bonds. Currently, the Port has no bonds for which PFCs or CFCs are pledged.

The Port did not capitalize any interest cost in fiscal year 2016 nor in 2015.

The Port's required debt service payments on its Senior Lien Bonds and Intermediate Lien Bonds are due each May 1 and November 1 through May 1, 2033. The California Department of Boating and Waterways loan is due each August 1 through August 1, 2029. Commercial Paper has been classified as long-term debt because the Port has the intent and ability to continue to refinance this debt. The Port's required debt service payment for the outstanding long-term debt for years ending June 30 are as follows (in thousands):

Fiscal Year Ending	Principal	Interest	Total
2017	\$ 77,429	\$ 55,841	\$ 133,270
2018	81,405	51,814	133,219
2019	85,597	46,798	132,395
2020	54,752	42,331	97,083
2021	56,415	40,032	96,447
2022 - 2026	332,684	154,664	487,348
2027 - 2031	357,522	66,769	424,291
2032 - 2033	72,015	5,179	77,194
Total	\$ 1,117,819	\$ 463,428	\$ 1,581,247

Although the Port intends to refinance the Commercial Paper debt in the future, for purposes of this schedule, Commercial Paper debt is amortized over the fiscal years ending 2017-2020 pursuant to the "Term Loan" provisions of the Commercial Paper Reimbursement Agreements.

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Types of Debt and Priority of Payment

Senior Lien Bonds

2011 Series O and 2012 Series P (collectively, the Senior Lien Bonds) were issued under the Senior Trust Indenture and are paid from Pledged Revenues first. As long as any Senior Lien Bonds remain outstanding, the Port has covenanted to collect rates, tolls, fees, rentals and charges so that Pledged Revenues in each fiscal year will be sufficient to pay all of the following amounts: (i) the sum of principal and interest on the outstanding Senior Lien Bonds; (ii) all other payments required for compliance with terms of the Senior Trust Indenture including, but not limited to, required deposits to any Reserve Fund; (iii) all other payments necessary to meet ongoing legal obligations to be paid from Pledged Revenues; and (iv) operation and maintenance expenses of the Port. In addition, payment of principal and interest on the Senior Lien Bonds when due is secured by a reserve fund held by the trustee and invested in U.S. Treasury Notes.

The Port has also covenanted in the Senior Trust Indenture that Net Pledged Revenue (Revenues less the Operation and Maintenance Expenses) will be equal to at least 125% of actual debt service for the Senior Lien Bonds (Senior Lien Debt Service Coverage Ratio).

California Department of Boating and Waterways (DBW) Loan

The DBW Loan is subordinate to the Senior Lien Bonds but superior to the Intermediate Lien Bonds and the Port's Commercial Paper Notes with respect to the Pledged Revenues. The Port turned over the operation of its marina, financed, in part, with DBW Loans, to a private company through a fifty-year capital lease in May 2004. As of June 30, 2016, only one DBW Loan remained outstanding with a balance of \$4,678,000.

Intermediate Lien Bonds

The 2007 Series A, Series B and Series C Bonds (collectively, the Intermediate Lien Bonds) issued under the Intermediate Trust Indenture are next in payment priority. The Intermediate Lien Bonds are paid from the Intermediate Lien Pledged Revenues. The Intermediate Lien Pledged Revenues are the Pledged Revenues after payment first, of all amounts payable for any Senior Lien Bonds and second, any debt service requirements payable on the DBW Loan. Payment of principal and interest on the Intermediate Lien Bonds when due is secured by a debt service reserve surety policy, as well as being insured by municipal bond insurance policies.

The Port covenanted in the Intermediate Trust Indenture that Net Pledged Revenues will be equal to at least 110% of the actual debt service becoming due and payable on the combined Intermediate Lien Bonds, Senior Lien Bonds, and DBW Loan (Intermediate Lien Debt Service Coverage Ratio).

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Commercial Paper Notes

Commercial Paper Notes (CP Notes) have the lowest payment priority. The Board authorized a \$150,000,000 Commercial Paper program in 1998 and a further \$150,000,000 was authorized in 1999. The maximum maturity of the CP Notes is 270 days and the maximum interest rate is 12%. The Port has classified the CP Notes as long term debt as the Port intends and has the ability to reissue CP Notes until the expiration of the two irrevocable Letters of Credit (LOC), discussed below. Interest income paid to the holders of the CP Notes may fall under one of three tax treatments: tax-exempt Alternative Minimum Tax (AMT), tax-exempt non-AMT and taxable.

On May 2, 2016, the Port amended its LOC with JPMorgan Chase Bank National Association (JPMorgan), reducing its maximum stated amount of \$108,876,713 (principal of \$100,000,000 and interest of \$8,876,713) to \$54,438,357 (principal of \$50,000,000 and interest of \$4,438,357). The expiration date of the letter of credit was also extended for one year, from June 30, 2016 to June 30, 2017. On June 13, 2016, the Port substituted its then-outstanding Wells Fargo Bank National Association LOC, with a new LOC supported by Bank of America National Association (BANA). The maximum stated amount of this LOC is \$163,315,069 (principal of \$150,000,000 and interest of \$13,315,069) and expires on June 30, 2019. As of June 30, 2016, the Port has capacity based on available credit to issue an aggregate principal amount of CP Notes up to \$200,000,000.

As of June 30, 2016, the outstanding balance of CP Notes issued under the BANA LOC is \$38,176,000, while the outstanding balance of CP Notes issued under the JPMorgan LOC is \$46,415,000.

The Port covenants in the LOC and Reimbursement Agreements with BANA and JPMorgan that the Intermediate Lien Debt Service Coverage Ratio will equal to at least 110%.

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Priority of Payment

The following are the priority of payment tables (in thousands):

	Maturity Date	Total Debt Service to Maturity	FY 2016 Debt Principal and Interest	FY 2016 Net Pledged Revenues**
Total Net Pledged Revenues				\$ 158,982
Senior Lien Bonds:				
2011 Revenue Bonds Series O	5/1/2031	\$ 433,797	\$ 30,135	
2012 Revenue Bonds Series P	5/1/2033	576,065	18,056	
Subtotal Senior Lien Bonds		<u>1,009,862</u>	<u>48,191</u>	<u>(48,191)</u>
Net Pledged Revenues Remaining after Sr. Lien				110,791
Dept. of Boating and Waterways Loan	8/1/2029	6,406	457	(457)
Net Pledged Revenues Remaining after DBW				110,334
Intermediate Lien Bonds:				
2007 Series A	11/1/2029	223,490	10,576	
2007 Series B	11/1/2029	171,582	24,785	
2007 Series C	11/1/2019	73,862	14,868	
Subtotal Intermediate Lien Bonds		<u>468,934</u>	<u>50,229</u>	<u>(50,229)</u>
Net Pledged Revenues Remaining after Int. Lien				60,105
Commercial Paper Notes*		96,045	4,145	(4,145)
Net Pledged Revenues Remaining after CP Notes				\$ <u>55,960</u>
Total		\$ <u>1,581,247</u>	\$ <u>103,022</u>	

* The Total Debt Service to Maturity for Commercial Paper includes principal (\$84.6 million) and interest (\$11.4 million) on outstanding Commercial Paper debt pursuant to the "Term Loan" provision of the Commercial Paper Reimbursement Agreements. Of the \$84.6 million of Commercial Paper Notes outstanding, \$23.2 million are eligible to be financed from Passenger Facility Charges.

** Net Pledged Revenues are Revenues less Operation and Maintenance Expenses plus Interest Earned (not including interest earned on PFC and CFC funds, \$13,000 and \$34,000 respectively).

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Priority of Payment (continued)

	<u>Maturity Date</u>	<u>Total Debt Service to Maturity</u>	<u>FY 2015 Debt Principal and Interest</u>	<u>FY 2015 Net Pledged Revenues**</u>
Total Net Pledged Revenues				\$ 164,665
Senior Lien Bonds:				
2011 Revenue Bonds Series O	5/1/2031	\$ 463,932	\$ 24,892	
2012 Revenue Bonds Series P	5/1/2033	595,037	25,254	
Subtotal Senior Lien Bonds		<u>1,058,969</u>	<u>50,146</u>	<u>(50,146)</u>
Net Pledged Revenues Remaining after Sr. Lien				114,519
Dept. of Boating and Waterways Loan	8/1/2029	6,863	457	(457)
Net Pledged Revenues Remaining after DBW				114,062
Intermediate Lien Bonds:				
2007 Series A	11/1/2029	234,065	23,491	
2007 Series B	11/1/2029	196,368	20,170	
2007 Series C	11/1/2019	88,730	3,928	
Subtotal Intermediate Lien Bonds		<u>519,163</u>	<u>47,589</u>	<u>(47,589)</u>
Net Pledged Revenues Remaining after Int. Lien				66,473
Commercial Paper Notes*		84,752	3,092	(3,092)
Net Pledged Revenues Remaining after CP Notes				\$ <u>63,381</u>
Total		\$ <u>1,669,747</u>	\$ <u>101,284</u>	

* The Total Debt Service to Maturity for Commercial Paper includes principal and interest on outstanding Commercial Paper debt pursuant to the "Term Loan" provision of the Commercial Paper Reimbursement Agreements.

** Net Pledged Revenues (as restated) are Revenues less Operation and Maintenance Expenses plus Interest Earned (not including interest earned on PFC and CFC funds, \$18,000 and \$24,000 respectively).

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Bond Premium (Discount)

The Port amortizes the original issue discount or premium over the life of each bond issue. The unamortized amount for each Port issue is as follows (in thousands):

<u>Bond Issue</u>	<u>2016 (Discount) Premium</u>	<u>2015 (Discount) Premium</u>
Senior Lien Bonds:		
2011 Series O	\$ 2,936	\$ 4,157
2012 Series P	35,059	38,124
Subtotal Senior Lien Bonds	<u>37,995</u>	<u>42,281</u>
Intermediate Lien Bonds:		
2007 Series A	2,674	2,999
2007 Series B	2,719	3,501
2007 Series C	984	1,610
Subtotal Intermediate Lien Bonds	<u>6,377</u>	<u>8,110</u>
Commercial Paper	(5)	(1)
Total	<u>\$ 44,367</u>	<u>\$ 50,390</u>

6. Environmental and Other Liabilities

Changes in environmental and other liabilities for the years ended June 30, 2016 and 2015 are as follows (in thousands):

	<u>Beginning Balance July 1, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance June 30, 2016</u>	<u>Amounts Due Within One Year</u>
Accrued vacation, sick leave and compensatory time	\$ 6,594	\$ 1,589	\$ (1,672)	\$ 6,511	\$ 5,586
Pollution liability (Note 13)	11,700	13,604	(10,242)	15,062	3,023
Workers' compensation (Note 14)	12,661	876	(1,288)	12,249	1,290
Lease terminal loss contingency (Note 15)	-	22,337	(29)	22,308	5,954
Other long-term liabilities	1,834	899	(133)	2,600	-
Total	<u>\$ 32,789</u>	<u>\$ 39,305</u>	<u>\$ (13,364)</u>	<u>\$ 58,730</u>	<u>\$ 15,853</u>

	<u>Beginning Balance July 1, 2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance June 30, 2015</u>	<u>Amounts Due Within One Year</u>
Accrued vacation, sick leave and compensatory time	\$ 7,072	\$ 4,902	\$ (5,380)	\$ 6,594	\$ 5,596
Pollution liability (Note 13)	13,473	6,488	(8,261)	11,700	3,452
Workers' compensation (Note 14)	11,182	2,792	(1,313)	12,661	1,500
Other long-term liabilities	1,307	630	(103)	1,834	-
Total	<u>\$ 33,034</u>	<u>\$ 14,812</u>	<u>\$ (15,057)</u>	<u>\$ 32,789</u>	<u>\$ 10,548</u>

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7. Leases

A major portion of the Port's capital assets are leased to others. Leased assets include maritime facilities, aviation facilities, office and commercial space, and land. The majority of the Port's leases are classified as operating leases. The leases generally provide for minimum rentals with percentage rent contingent on business sales or activity. Certain maritime facilities are leased under agreements that provide the tenants with preferential, but nonexclusive, use of the facilities.

A summary of revenues from long-term leases for years ended June 30 is as follows (in thousands):

	2016	2015
Minimum non-cancelable rentals, including preferential assignments	\$ 166,759	\$ 172,471
Contingent rentals in excess of minimums	15,054	17,006
	\$ 181,813	\$ 189,477

The Port and Outer Harbor Terminal, LLC (formerly Ports America Outer Harbor Terminal, LLC), a private company, entered into a long-term concession and lease agreement on January 1, 2010, for the operation of Berths 20-24 for 50 years. A \$60 million upfront fee was paid to the Port in fiscal year 2010 which was being amortized over the life of the lease. In February 2016, Outer Harbor Terminal, LLC filed for Chapter 11 bankruptcy protection and subsequently announced their intent to cease operations at the Port. The Port terminated its long-term concession and lease agreement with Outer Harbor Terminal, LLC at the end of March 2016. These events resulted in the immediate recognition of the unamortized balance of the upfront fee, approximately \$46,977,000 which was recognized as other non-operating income. Refer to Note 15 Outer Harbor Terminal Closure for additional details.

Minimum future rental revenues for years ending June 30 under non-cancelable operating leases having an initial term in excess of one year are as follows (in thousands):

2017	\$	140,312
2018		114,258
2019		86,820
2020		85,470
2021		85,806
2022-2026		195,026
2027-2031		114,463
2032-2036		98,283
2037-2041		28,864
2042-2046		13,174
2047-2051		10,558
Thereafter		34,760
	\$	1,007,794

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Leases (continued)

The Port turned over the operation of its marina to a private company through a long-term financing lease and operating agreement on May 1, 2004. Minimum future lease payments to be received, which is a component of unearned revenue, for years ending June 30 are as follows (in thousands):

2017	\$	426
2018		438
2019		452
2020		465
2021		479
2022-2026		2,620
2027-2031		3,037
2031-2036		3,521
2037-2041		4,082
2042-2046		4,732
2047-2051		5,486
Thereafter		3,485
	\$	<u>29,223</u>

The capital assets leased to others at June 30 consist of the following (in thousands):

	<u>2016</u>	<u>2015</u>
Land	\$ 330,158	\$ 413,820
Container cranes	148,697	148,697
Buildings and improvements	188,134	206,336
Infrastructure	<u>988,456</u>	<u>1,095,378</u>
	1,655,445	1,864,231
Less accumulated depreciation	<u>(678,561)</u>	<u>(706,439)</u>
Net capital assets, on lease	\$ <u>976,884</u>	\$ <u>1,157,792</u>

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8. Unearned Revenue

Unearned revenue consists primarily of an upfront fee from a terminal operating lease; a long term financing lease for the marina operations; early redemption of special facilities bonds; prepayment of bond debt service for airline fuel facility and prepaid tenant rent.

Changes in unearned revenue for the years ended June 30, 2016 and 2015 are as follows (in thousands):

	Beginning Balance			Ending Balance		Amounts Due Within
	July 1, 2015	Additions	Reductions	June 30, 2016	One Year	
Ports America Outer Harbor upfront fee	\$ 47,782	\$ -	(47,782)	\$ -		\$ -
Marina capital lease unearned interest revenue	19,546	-	(503)	19,043		503
92A Special Facility bond redemptions	8,826	-	(2,522)	6,304		2,522
Oakland Fuel Facilities Corporation	8,406	150	(580)	7,976		580
Unearned tenant rent	8,157	6,149	(6,111)	8,195		6,365
Other unearned revenue	1,188	-	(159)	1,029		158
Total	\$ 93,905	\$ 6,299	\$ (57,657)	\$ 42,547		\$ 10,128

	Beginning Balance			Ending Balance		Amounts Due Within
	July 1, 2014	Additions	Reductions	June 30, 2015	One Year	
Ports America Outer Harbor upfront fee	\$ 48,856	\$ -	\$ (1,074)	\$ 47,782		\$ 1,074
Marina capital lease unearned interest revenue	20,049	-	(503)	19,546		503
92A Special Facility bond redemptions	11,348	-	(2,522)	8,826		2,522
Oakland Fuel Facilities Corporation	8,836	150	(580)	8,406		580
Unearned tenant rent	9,645	5,895	(7,383)	8,157		6,111
Other unearned revenue	1,346	-	(158)	1,188		158
Total	\$ 100,080	\$ 6,045	\$ (12,220)	\$ 93,905		\$ 10,948

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9. Retirement Plans

CalPERS Miscellaneous Unit

Plan Description

All full-time and certain other qualifying employees of the Port are eligible to participate in the CalPERS as members of the City of Oakland's Miscellaneous Unit of CalPERS (Miscellaneous Plan). The Miscellaneous Plan is an agent multiple-employer defined benefit pension plan. Benefit provisions and all other requirements are established by State statute and City ordinance. CalPERS issues a separate comprehensive annual financial report. Copies of the annual financial report are available on the CALPERS website at www.CalPERS.ca.gov under Forms and Publications or may be obtained from the CalPERS Executive Office, 400 Q Street, Sacramento, California 95811.

A separate report for the City's Miscellaneous Plan within CalPERS is not available. As a department of the City, the Port shares benefit costs with the City. The Port presents the related defined benefit disclosures as a participant in a cost-sharing plan arrangement with the City.

Benefits Provided

The Miscellaneous Plan provides service retirement, disability retirement, and death benefits based on the employee's years of service, age at retirement and final compensation. An employee becomes eligible for service retirement upon retirement age and with at least 5 years of CalPERS credited service. Final compensation is the monthly average of the employee's highest one-year or three-year consecutive months' full-time equivalent salary. The service retirement benefit is a monthly allowance for life equal to the product of the benefit factor, years of service and final compensation. The benefit factor varies based on the employee's date of hire and age at retirement.

The Miscellaneous Plan's provisions and benefits in effect at June 30, 2016, are summarized as follows:

	Hire date		
	Prior to 6/9/2012	6/9/2012 through 12/31/12	On or After 1/1/2013*
Benefit formula	2.7% @ 55	2.5% @ 55	2.0% @ 62
Retirement age	50-55	50-55	52-67
Monthly benefits, as a % of eligible compensation	2.0%-2.7%	2.0%-2.5%	1.0%-2.5%
Required employee contribution rates	8.00%	8.00%	6.75%-8.00%
Required employer contribution rates	32.928%	32.928%	31.678%-32.928%

*For "new members" as defined by the Public Employees' Pension Reform Act (PEPRA)

Cost-of-living adjustments are paid the second calendar year of retirement and every year thereafter up to a maximum of 2% per year.

All members are eligible to apply for a disability retirement benefit, regardless of age, when they have 5 or more years of credited service and they sustain an injury or illness that prevents them from performing their duties.

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Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. The total Miscellaneous Plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by the employees during the year, with an additional amount to finance any unfunded accrued liability. The City and the Port are required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

During the years ended June 30, 2016 and 2015, the Port paid contributions of \$15,989,000 and \$14,735,000 respectively to the City's Miscellaneous Plan.

CalPERS Safety Unit – Special Agreement with the City of Oakland

During the period from July 1, 1976, through January 17, 1998 (employment period), the Port appointed certain employees to positions in the classifications of Airport Servicemen and Airport Operations Supervisors. The Port was and has always been the employer that directly appointed, retained, employed and compensated the personnel in these positions.

As result of a decision by CalPERS' Board of Administration on April 15, 1998, employees appointed to positions in the classifications of Airport Servicemen and Airport Operations Supervisors were reclassified from the Miscellaneous Unit member status in CalPERS to Safety Unit member status, effective retroactively to the later of either the date of their respective employment in such classifications or July 1, 1976.

The decision to reclassify employees to safety member status resulted in an additional net cost to provide retirement benefits earned during the employment period. CalPERS' actuary estimated that the present value of this net cost (including subsequent actual experience through June 30, 2000, and projected experience through June 30, 2002) was \$5,915,000.

The Port entered into an agreement with the City for the payment of this net cost by the Port directly to CalPERS. The agreement provides for the Port to make payments over 20 years in annual installments, with interest at 4.34% and adjusted for cost of living at a rate of 3.75%. Under this agreement the Port's obligation will not fluctuate based on the recognition of market gains or losses, changes in the actuarial assumptions, or experiences that differ from the actuary projections. The Port's obligation will remain fixed until paid in full.

For the years ended June 30, 2016 and 2015, the Port paid contributions of \$397,000 and \$342,000 respectively, for the Safety Unit obligation.

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Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

For fiscal years ended June 30, 2016 and 2015, the Port reported total net pension liability as follows (in thousands):

	<u>2016</u>	<u>2015</u>
City's Miscellaneous plan - proportion share	\$ 172,915	\$ 160,287
Safety plan - remaining obligation	4,289	4,631
Total net pension liability	<u>\$ 177,204</u>	<u>\$ 164,918</u>

The City's Miscellaneous Plan's net pension liability was measured as of the measurement date listed in the table below for the respective fiscal year. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of the valuation date listed in the table below and rolled forward to the measurement date using standard update procedures. The Port's proportionate share of the City's Miscellaneous Plan was determined based on the Port's employer contributions divided by the total employer contributions for the respective measurement period.

	<u>2016</u>	<u>2015</u>
Measurement date	6/30/2015	6/30/2014
Valuation date	6/30/2014	6/30/2013
Measurement period	7/1/14-6/30/15	7/1/13-6/30/14
Proportionate share	24.80%	24.86%

For the years ended June 30, 2016 and 2015, the Port recognized pension expense including amortization of deferred outflow/inflow related pension items of \$9,788,000 and \$11,729,000, respectively. At June 30, 2016 and 2015, the Port reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

	<u>2016</u>		<u>2015</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Change in assumptions	\$ -	\$ 6,352	\$ -	\$ -
Net difference between projected and actual earnings on pension plan investments	17,904	21,853	-	29,137
Change in proportionate share	-	-	-	-
Net differences between expected and actual experience	-	1,262	-	-
Pension contributions subsequent to the measurement date	16,386	-	15,077	-
	<u>\$ 34,290</u>	<u>\$ 29,467</u>	<u>\$ 15,077</u>	<u>\$ 29,137</u>

The pension contributions made subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017.

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Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

Other amounts reported as deferred inflows of resources, will be amortized annually and recognized as an increase or (reduction) to pension expense, for the years ending June 30 as follows (in thousands):

2017	\$ (6,816)
2018	(6,415)
2019	(2,808)
2020	4,476
	<u>\$ (11,563)</u>

Actuarial Methods and Assumptions

For fiscal years ended June 30, 2016 and 2015, the pension liability was determined by rolling forward the total pension liability from the valuation date to the measurement date. The total pension liabilities were based on the following actuarial methods and assumptions for each measurement date:

	2016	2015
Measurement date	6/30/2015	6/30/2014
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Actuarial Assumptions:		
Discount Rate	7.65%	7.50% ³
Inflation	2.75%	2.75%
Payroll Growth	3.00%	3.00%
Salary Increases	Varies by Entry Age and Service	Varies by Entry Age and Service
Investment Rate of Return	7.65% Net of Pension Plan Investment and Administrative Expenses; includes inflation	7.50% Net of Pension Plan Investment and Administrative Expenses; includes inflation
Mortality Rate Table	Based on the 2010 CalPERS Experience Study from 1997 to 2007 ¹	Derived using CalPERS' Membership Data ²
Post Retirement Benefit Increase	Contract cost of living adjustment up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter	Contract cost of living adjustment up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

¹ Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

² The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

³ The discount rate used in 2015 was net of administrative expenses.

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Actuarial Methods and Assumptions (continued)

All other actuarial assumption used in the June 30, 2014 and 2013 valuations were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS website under Form and Publications.

Discount Rate

The discount rates used to measure the total pension liability as of June 30, 2016 and 2015 was 7.65% and 7.50%, respectively. To determine whether the municipal bond rate should be used in the calculation of a discount rate, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on CalPERS testing, none of the tested plans run out of assets. Therefore, CalPERS determined that the current discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. In fiscal year 2015, the 7.50% investment return assumption used in the accounting valuation was net of administrative expenses. Administrative expenses are assumed to be 15 basis points. Using this lower discount rate resulted in a slightly higher Total Pension Liability and Net Pension Liability. In fiscal year 2015, this difference was deemed immaterial to the agent multiple-employer plan. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference. In fiscal year 2016, the investment return assumption of 7.65% is without reduction of pension plan administrative expense.

The long term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of the benefits was calculated. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

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Discount Rate (continued)

The table below reflects long-term expected real rate of return, by asset class, used for the June 30, 2014 valuation. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the CalPERS board effective on July 1, 2014.

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1-10⁽¹⁾</u>	<u>Real Return Years 11+⁽²⁾</u>
Global Equity	51.0%	5.25%	5.71%
Global Fixed Income	19.0	0.99	2.43
Inflation Sensitive	6.0	0.45	3.36
Private Equity	10.0	6.83	6.95
Real Estate	10.0	4.50	5.13
Infrastructure and Forestland	2.0	4.50	5.09
Liquidity	2.0	(0.55)	(1.05)
Total	<u>100%</u>		

¹An expected inflation of 2.5% used for this period.

²An expected inflation of 3.0% used for this period.

The table below reflects long-term expected real rate of return, net of administrative expenses, by asset class used for the June 30, 2013 valuation. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1-10⁽¹⁾</u>	<u>Real Return Years 11+⁽²⁾</u>
Global Equity	47.0%	5.25%	5.71%
Global Fixed Income	19.0	0.99	2.43
Inflation Sensitive	6.0	0.45	3.36
Private Equity	12.0	6.83	6.95
Real Estate	11.0	4.50	5.13
Infrastructure and Forestland	3.0	4.50	5.09
Liquidity	2.0	(0.55)	(1.05)
Total	<u>100%</u>		

¹An expected inflation of 2.5% used for this period.

²An expected inflation of 3.0% used for this period.

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Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the Port's proportionate share of the net pension liability as of the June 30, 2015 measurement date calculated using the discount rate of 7.65%, as well as what the Port's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.65%) or 1% higher (8.65%) than the current rate (in thousands):

	<u>1% Decrease (6.65%)</u>	<u>Current Discount Rate (7.65%)</u>	<u>1% Increase (8.65%)</u>
Port's proportionate share of the City's Miscellaneous plan net pension liability	\$244,071	\$172,915	\$111,029

10. Other Postemployment Benefits

Plan Description

The Port contributes to the California Employer's Retiree Benefit Trust (CERBT), an agent multiple-employer defined benefit postemployment healthcare plan administered by CalPERS. The CERBT is an Internal Revenue Code Section 115 trust and an investment vehicle that can be used by all California public employers to prefund future retiree health and Other Postemployment Benefits (OPEB) costs.

The Port's Retiree Health Plan allows eligible retirees and their dependents to receive employer paid medical insurance benefits through CalPERS, subject to certain limitations described below. Additionally, through the Port's Retiree Health Plan, employees hired before October 1, 2009 (before January 1, 2013 for members of the Services Employees International Union (SEIU) and International Brotherhood of Electrical Workers (IBEW)) are eligible to receive dental and vision benefits.

Prior to 2011, eligible retirees must have attained the age of fifty or over at the time of retirement, have five or more years of CalPERS service, and must be eligible to receive PERS retirement benefits. On July 21, 2011, the Port adopted resolutions that established a Health Benefit Vesting Requirement for employees hired on or after September 1, 2011 (on or after April 1, 2013 for members of SEIU and IBEW). The vesting schedule does not apply to employees that are granted a disability retirement.

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Plan Description (continued)

Under the adopted vesting schedule, the Port shall pay a percentage of retiree medical coverage for a retiree and his or her eligible dependents based on the provisions of Section 22893 of the California Government Code. Under these rules, a retiree must have at least 10 years of credited service with a CalPERS agency, at least 5 of which are with the City/Port. The Port will pay a percentage of employer contributions for the Retiree based upon the following:

<u>Years of Credited Service</u> <u>(at least 5 of which are with the City/Port)</u>	<u>%</u> <u>of Employer Contributions</u>
10	50
11	55
12	60
13	65
14	70
15	75
16	80
17	85
18	90
19	95
20	100

Funding Policy

Benefit provisions are established and are amended through negotiations between the Port and the various bargaining units during each bargaining period. The Port pays a portion of retiree benefit expenses on a pay-as-you-go basis to third parties, outside of the CERBT fund, and funds the remaining annual required contribution (ARC) to the CERBT fund, prior to the fiscal year end.

As of June 30, 2016, there were approximately 562 employees who had retired from the Port and were participating in the Port's Retiree Health Plan. During fiscal year ended June 30, 2016, the Port contributed \$6,400,000 to the CERBT and made payments of \$7,381,000 on behalf of eligible retirees to third parties outside of the CERBT fund.

As of June 30, 2015, there were approximately 541 employees who had retired from the Port and were participating in the Retiree Health Plan. During fiscal year ended June 30, 2015, the Port contributed \$5,800,000 to the CERBT and made payments of \$7,145,000 on behalf of eligible retirees to third parties outside of the CERBT fund.

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Annual OPEB Cost and Net OPEB Obligation

The Port's annual OPEB cost is equal to (a) ARC, an amount actuarially determined in accordance with the parameters of GASB Statement 45, plus (b) one year's interest on the beginning balance of the net OPEB obligation, and minus (c) an adjustment to the ARC. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost of each year and any unfunded actuarial liabilities (or funding excess) amortized over a "closed" period of 30 years.

The following table shows the components of the Port's annual OPEB cost for the year, the amount contributed to the CERBT and changes in the Port's net OPEB obligation as of June 30 (in thousands):

	<u>2016</u>	<u>2015</u>
Annual required contribution	\$ 13,725	\$ 12,844
Interest on prior year net OPEB obligation	717	729
Adjustment to annual required contribution	<u>(789)</u>	<u>(793)</u>
Annual OPEB Cost	13,653	12,780
Contribution made	<u>(13,781)</u>	<u>(12,945)</u>
Increase (decrease) in net OPEB obligation	(128)	(165)
Net OPEB obligation - beginning of year	<u>10,249</u>	<u>10,414</u>
Net OPEB obligation - end of year	<u>\$ 10,121</u>	<u>\$ 10,249</u>

The Port's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the current and prior two years are as follows (in thousands):

<u>Fiscal</u> <u>Year End</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage of</u> <u>OPEB Cost</u> <u>Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
6/30/2014 \$	12,789	100.30%	\$ 10,414
6/30/2015 \$	12,780	101.29%	\$ 10,249
6/30/2016 \$	13,653	100.94%	\$ 10,121

Funding Status and Funding Progress

The table below indicates the funded status of the Port's OPEB plan as of June 30, 2015, the most recent actuarial valuation date (in thousands).

Actuarial Accrued Liability (AAL)	\$ 157,351
Actuarial Value of Plan Assets	<u>(47,870)</u>
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 109,481</u>
Funded Ratio (actuarial value of plan assets/AAL)	30.4%
Annual Covered Payroll (active plan members)	\$ 50,093
UAAL as a Percentage of Annual Covered Payroll	219%

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Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan in effect and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The actuarial cost method used for determining the benefit obligations of the Port is the Projected Unit Credit Cost Method. Under the principles of this method, the actuarial present value of the projected benefits is the value of benefits expected to be paid for active and retired employees. The AAL is the present value of benefits attributed to employee service rendered prior to the valuation date. The AAL equals the present value of benefits multiplied by a fraction equal to service date over service at expected retirement. The ARC was based on an actuarial valuation of the Port's plan as of June 30, 2015 for fiscal year 2016 and as of June 30, 2013 for fiscal year 2015. In determining the ARC, the UAAL was amortized as a level dollar amount over 30 years on a "closed" basis beginning June 30, 2013. There are 28 years remaining as of July 1, 2015.

Actuarial assumptions used for the valuation of the Port's plan include a discount rate, which is based on the CERBT expected rate of return for the plan assets, and annual healthcare cost trends, which is based on the "Getzen" model published by the Society of Actuaries. The June 30, 2015 and 2013 actuarial valuations used a discount rate of 7.0%, annual healthcare costs were assumed to increase at rates ranging from 2.75% to 8.25%, and a general inflation rate of 2.5% was used.

The schedules presented as required supplementary information following the notes to the financial statements, present multiyear trend information. The Schedule of Funding Progress - Other Postemployment Benefits presents information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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11. Agreements with City of Oakland

The Port has entered into agreements with the City for provisions of various services such as aircraft rescue and firefighting (ARFF), Special Services, General Services, and Lake Merritt Trust Services. The City provides these services to the Port.

Special Services include designated police services, personnel, city clerk, legislative programming, and treasury services. General Services include fire, rescue, police, street maintenance, and similar services. Lake Merritt Trust Services include items such as recreation services, grounds maintenance, security, and lighting.

Port payments to the City for these services are made upon presentation of supporting documentation and authorizations from the Board.

Special Services and ARFF

Payments for Special Services and ARFF are treated as a cost of Port operations pursuant to City Charter Section 717(3) Clause Third and have priority over certain other expenditures of Port revenues. Special Services and ARFF from the City totaled \$7,065,000 and \$6,971,000 in fiscal years 2016 and 2015, respectively, and are included in Operating Expenses. At June 30, 2016 and 2015, \$6,767,000 and \$6,674,000, respectively, were accrued as current liabilities for these payments.

General Services and Lake Merritt Trust Services

Payments for General Services provided by the City are payable only to the extent the Port determines annually that surplus monies are available under the Charter for such purposes. As of June 30, 2016 and 2015, the Port accrued approximately \$676,000 and \$841,000, respectively, of payments for General Services. Additionally, the Port accrued approximately \$1,625,000 and \$1,401,000 to reimburse the City for Lake Merritt Trust Services in fiscal years 2016 and 2015, respectively. Subject to availability of surplus monies, the Port expects that it will continue to reimburse the City annually for General Services and Lake Merritt Trust Services.

Unearned Rent

In November 1994, the City entered into an agreement with the Port to partially fund the development of a project related to a lease at the Port. The lease required \$5,145,000 in tenant improvements partially financed by \$2,000,000 in deferred rent from the City's former Redevelopment Agency. The unearned rent is classified as unearned revenue. At June 30, 2016 and 2015, unearned rent was approximately \$663,000 and \$733,000, respectively. The amount classified as short term unearned revenue at June 30, 2016 and 2015 was \$70,000.

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12. Commitments

Capital Program

As of June 30, 2016, the Port had construction commitments for the acquisition and construction of assets as follows (in thousands):

Aviation	\$	47,524
Maritime		6,432
Other		-
Total	\$	<u>53,956</u>

The most significant project for which the Port has contractual commitments for construction is the Airport Terminal 1 retrofit and renovation program of \$43,801,000.

Power Purchases

The Port purchases electrical power for resale and self-consumption and currently has three power purchase agreements with the East Bay Municipal Utility District (EBMUD), the Western Area Power Administration (WAPA) and SunEdison, LLC (SunEdison) with expiration dates greater than two years.

Counterparty	Contract Ending Year	Contract Structure	Estimated Annual Output	Estimated Annual Cost
EBMUD	2022	Take and Pay – (Pay contract price only if energy is received)	8,000 MWH	Approx. \$584,000 with no Annual Escalator through 2017; Approx. \$464,000 with no Annual Escalator from 2017-2022
WAPA	2024	Take or Pay – (Pay contract price without regard to energy received)	17,000 MWH	Approx. \$800,000 (Changes annually depending on revenue requirement for power generation projects)
SunEdison	2027	Take and Pay – (Pay contract price only if energy is received)	1,200 MWH	Approx. \$200,000 with Annual Escalator

In addition to the aforementioned power purchase agreements, as of June 30, 2016, the Port held multiple forward power purchase contracts totaling approximately \$4.8 million with Powerex Corporation and Shell Energy North America. The forward power purchase contracts have various expiration dates through December 31, 2019.

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13. Contingencies

Environmental

The entitlements for the Airport Development Program (ADP) subject the Port to obligations arising from the adopted ADP Mitigation Monitoring and Reporting Program required under the California Environmental Quality Act; permits issued by numerous regulatory agencies including the Regional Water Quality Control Board and the Bay Conservation and Development Commission; and settlement agreements. The majority of these obligations have been met, and monitoring and reporting are ongoing.

A summary of the Port's environmental liability accounts, net of the estimated recoveries, included as Environmental and other liability on the statements of net position at June 30, 2016 and 2015, is as follows (in thousands):

Obligating Event	2016	Estimated
	Liability, net	Recovery
	of recovery	Recovery
Pollution poses an imminent danger to the public or environment	\$ 1,678	\$ -
Violated a pollution prevention-related permit or license	-	-
Identified as responsible to clean-up pollution	10,916	193
Named in a lawsuit to compel to cleanup	-	-
Begins or legally obligates to cleanup or post-cleanup activities	2,468	50
Total by Obligating Event	\$ 15,062	\$ 243

Obligating Event	2015	Estimated
	Liability, net	Recovery
	of recovery	Recovery
Pollution poses an imminent danger to the public or environment	\$ 449	\$ 4
Violated a pollution prevention-related permit or license	-	-
Identified as responsible to clean-up pollution	8,286	1,633
Named in a lawsuit to compel to cleanup	-	-
Begins or legally obligates to cleanup or post-cleanup activities	2,965	191
Total by Obligating Event	\$ 11,700	\$ 1,828

The environmental liability accounts in the summary tables are listed by the initial obligating event. Due to new information, the obligating event may change from the initial obligating event. Examples of obligating events include: 1) the Port is named, or evidence indicates that it will be named, by a regulator such as the Department of Toxic Substances Control or the Regional Water Quality Control Board, as a responsible party or potentially responsible party for remediation; or 2) the Port has commenced, or legally obligates itself to commence, clean-up activities, monitoring or operation and maintenance of the remediation effort (e.g., by undertaking a soil and groundwater pre-development investigation).

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Methods and Assumptions

The Port measured the environmental liabilities for pollution remediation sites on Port-owned property using the Expected Cash Flow technique. The measurements are based on the current value of the outlays expected to be incurred. The cash flow scenarios include each component which can be reasonably estimated for outlays such as testing, monitoring, legal services and indirect outlays for Port labor instead of ranges of all components. Reasonable estimates of ranges of possible cash flows are limited from a single scenario to a few scenarios. Data used to develop the cash flow scenarios is obtained from outside consultants, Port staff, and the Port's outside legal counsel.

Changes to estimates will be made when new information becomes available. Estimates for the pollution remediation sites will be developed when the following benchmarks or changes in estimated outlays occur:

- Receipt of an administrative order.
- Participation, as a responsible party or a potentially responsible party, in the site assessment or investigation.
- Completion of a corrective measures feasibility study.
- Issuance of an authorization to proceed.
- Remediation design and implementation, through and including operation and maintenance and post remediation monitoring.
- Change in the remediation plan or operating conditions, including but not limited to type of equipment, facilities and services that will be used and price increases.
- Changes in technology.
- Changes in legal or regulatory requirements.

Recoveries

The environmental liabilities balances listed on the prior page have been reduced by estimated future recoveries. In calculating the estimated future recoveries, Port staff and outside legal counsel reviewed and applied the requirements of GASB 49 for accounting for recoveries. For example, if a Port tenant has a contract obligation to reimburse the Port for certain pollution remediation costs, or if an insurance carrier has paid money on a certain claim and the Port is pursuing additional costs from the insurance carrier associated with the claim, then a recovery was estimated. If an insurance carrier has not yet acknowledged coverage, then a recovery was not estimated.

Litigation

The Port at various times is a defendant in various lawsuits arising in the normal course of business, including constructing public improvements or construction related claims for unspecified amounts. The ultimate disposition of these suits and claims is not known and the Port's insurance may cover a portion of any losses, if incurred. Port management may make provision for probable losses if deemed appropriate on the advice of legal counsel.

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Grants

Certain grants that the Port receives are subject to audit and financial acceptance by the granting agency based upon review of cost incurred and submitted for reimbursement or demonstrated Port match. The Port's management does not believe that such audits will have a material impact on the financial statements. The Port is actively working with Federal Aviation Administration, the Port's cognizant agency, to obtain negotiated indirect rate agreements as provided for under the U.S. Management and Budget Circular A-87, Cost Principles for State, Local and Indian Tribal Governments for time periods prior to December 26, 2014 and the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards on or after December 26, 2014. In some cases, the Port expects the final negotiated rates to be lower than what was originally submitted for reimbursement, however, cannot reasonably estimate at this time the total net impact on all time periods under review.

14. Insurance

The Port purchases insurance on certain risk exposures including but not limited to property, automobiles liability, airport liability, umbrella liability, environmental liability, fidelity, fiduciary liability, and public official's liability. Port deductibles for the various insured programs range from \$10,000 to \$1,000,000 each claim. The Port is self-insured for other general liability and liability/litigation-type claims, workers' compensation of the Port's employees and most first party exposures. During fiscal years 2016 and 2015, the Port carried excess insurance over \$1,000,000 for the self-insured general liability and worker's compensation exposures. There have been no claim payments related to these programs that exceeded insurance limits in the last three years.

Workers' Compensation

Changes in the reported liability, which is included as part of environmental and other, follows (in thousands):

Workers' compensation liability at June 30, 2013	\$ 9,630
Current year claims and changes in estimates	3,025
Claim payments	<u>(1,473)</u>
Workers' compensation liability at June 30, 2014	11,182
Current year claims and changes in estimates	2,792
Claim payments	<u>(1,313)</u>
Workers' compensation liability at June 30, 2015	12,661
Current year claims and changes in estimates	876
Claim payments	<u>(1,288)</u>
Workers' compensation liability at June 30, 2016	<u>\$ 12,249</u>

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Workers' Compensation (continued)

The workers' compensation liability of \$12,249,000 at June 30, 2016 is based upon an actuarial study performed as of June 30, 2016 that assumed a probability level of 80% and a discount rate of 0.0%. The workers' compensation liability balance of \$12,661,000 at June 30, 2015 is based upon an actuarial study performed as of June 30, 2015 that assumed a probability level of 80% and a discount rate of 0.0%.

Capital Improvement Projects

The Port maintains an Owner Controlled Insurance Program (OCIP) and Professional Liability Insurance Program (PLIP) for contractors and consultants working on Port Capital Improvement Projects (CIP).

OCIP provides general liability insurance and workers' compensation insurance for contractors working on CIP projects. The Port is responsible for payment of the deductible/self-insured retention, which is currently \$250,000 for each general liability and workers' compensation claim.

The PLIP provides professional liability insurance for consultants working on Port CIP projects. Subject to this program, the consultants separately are responsible for paying the deductible/self-insured retentions, which are \$50,000 for consultants with annual revenues under \$20,000,000 and \$1,000,000 for consultants with annual revenues over \$20,000,000. The Port's deductible/self-insured retention is \$1,000,000. There is no actuarial forecast for this coverage.

15. Outer Harbor Terminal Closure

On February 1, 2016, Outer Harbor Terminal, LLC (formerly Ports America Outer Harbor Terminal, LLC) ("OHT") filed for Chapter 11 bankruptcy protection. At that time OHT held a 50-year lease with the Port to operate at Berths 20-24, a month to month lease to operate Berth 25/26 (including crane maintenance), and a separate lease to operate and maintain cranes at Berth 20-24. On February 20, 2016, the Port reached a settlement agreement with OHT by which the Port would let OHT out of its lease obligations. This agreement was subsequently approved by the bankruptcy court. This event returned property to the Port that was in need of significant repairs and deferred maintenance of which the Port estimates will cost approximately \$22,337,000 to complete over the next three years. In fiscal year 2016, the Port recognized a net gain on the lease termination as non-operating revenue composed of the following:

Unamortized upfront fee at time of lease termination	\$ 46,977
Security deposit and lease termination fee	10,560
Lease terminal loss contingency	<u>(22,337)</u>
Gain on long-term lease termination	<u>\$ 35,200</u>

Port of Oakland
(A Component Unit of the City of Oakland)
Notes to Financial Statements
For the years ended June 30, 2016 and 2015

16. Subsequent Events

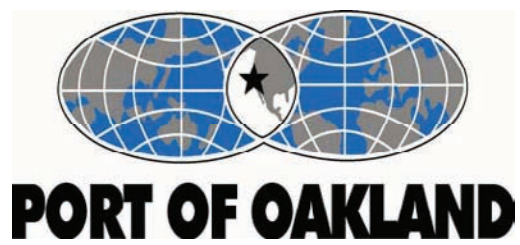
Debt Issuance

On August 16, 2016, the Port issued \$11,005,000 of Series A (AMT) commercial paper notes and on November 1, 2016, the Port issued additional \$1,153,000 of Series A (AMT) commercial paper notes, to reimburse prior capital expenditures, which included expenditures for the Port's Runway Safety Area project and for the Terminal 1 retrofit and renovation project. These transactions are part of a larger plan to finance PFC-eligible Airport projects by utilizing debt when the rate of project expenditure exceeds the rate of PFC collections. In its fiscal year 2017 Capital Budget, the Port has estimated that a total of \$68.7 million will be issued for this purpose over the 5-Year Capital Improvement Program period.

Credit Rating

On October 14, 2016, Fitch Ratings affirmed its rating on the Port's senior lien revenue bonds at "A+", and raised its rating on the Port's intermediate lien revenue bonds to "A" from "A-". The rating outlook for both liens is stable.

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**REQUIRED SUPPLEMENTARY
INFORMATION**

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Port of Oakland
(A Component Unit of the City of Oakland)
Required Supplementary Information (Unaudited)
For the years ended June 30, 2016 and 2015

1. Schedule of Funding Progress – Other Postemployment Benefits

The schedule of funding progress provides a consolidated snapshot of the Port’s ability to meet current and future liabilities with plan assets. The funded ratio conveys a plan’s level of assets to liabilities, an important indicator to determine the financial health of the OPEB plan. The closer the plan is to a 100% funded status; the better position it will be in to meet all of its future liabilities.

An actuarial valuation study performed as of June 30, 2015 valued the Actuarial Accrued Liability at \$157,351,000 an increase of \$20,735,000 from the previous study performed as of June 30, 2013.

The schedule of funding progress is as follows (in thousands):

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
6/30/2011 \$	19,145	\$ 128,906	\$ 109,760	14.9%	\$ 44,627	246%
6/30/2013	30,715	136,616	105,901	22.5%	47,823	221%
6/30/2015	47,870	157,351	109,481	30.4%	50,093	219%

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APPENDIX B-1

SUMMARIES OF THE INTERMEDIATE LIEN MASTER TRUST INDENTURE, AND THE THIRD SUPPLEMENTAL INTERMEDIATE LIEN TRUST INDENTURE

DEFINITIONS

The following are definitions of certain terms used in this Official Statement, including in the summaries of the Intermediate Lien Master Trust Indenture and the Third Supplemental Intermediate Lien Trust Indenture.

“*2017 Intermediate Lien Bonds*” means, collectively, the Series D Bonds, the Series E Bonds, the Series F Bonds and the Series G Bonds issued under the Intermediate Lien Indenture and the Third Supplemental Intermediate Lien Trust Indenture.

“*Accreted Value*” means (i) with respect to any Capital Appreciation Bonds, as of any date of calculation, the sum of the amount set forth in a Supplemental Intermediate Lien Indenture as the amount representing the initial principal amount of such Intermediate Lien 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 Intermediate Lien 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 Intermediate Lien Indenture authorizing the issuance of such Intermediate Lien Bond.

“*Act*” means Article VII of the Charter, as amended from time to time, or any other article or section of the Charter in which the provisions relating to the Board and the Port Department (as defined in the Charter) may be set forth.

“*Additional Intermediate Lien Bonds*” has the meaning ascribed in the Official Statement under “SECURITY AND SOURCES OF PAYMENT FOR THE 2017 INTERMEDIATE LIEN BONDS—Additional Intermediate Lien Bonds.”

“*Annual DBW Loan Debt Service*” means, at any point in time, with respect to all DBW Loans that are then Outstanding, the aggregate amount of principal and interest becoming due in a given Fiscal Year, calculated in accordance with the terms of said loans.

“*Annual Intermediate Lien Debt Service*” means, at any point in time, with respect to all Intermediate Lien Bonds which are then Outstanding and all Intermediate Lien Bonds which are then Authorized, the aggregate amount of principal and interest becoming due in a given Fiscal Year, calculated as provided below. For purposes of calculating Annual Intermediate Lien Debt Service, the following assumptions shall be used:

- i. unless otherwise provided in this definition, debt service on Intermediate Lien Bonds shall be assumed to be made in accordance with any amortization schedule established by the governing documents setting forth the term of such Intermediate Lien Bonds;

- ii. if all or any portion or portions of an Outstanding or proposed Series of Intermediate Lien Bonds constitute Balloon Indebtedness (excluding Intermediate Lien Bonds which are part of a Program and to which subsection (ix) applies), then, the principal amount that constitutes Balloon Indebtedness shall (unless subsection (iii) of this definition then applies to such maturity) be treated as if it were to be amortized from the date of original issuance thereof over the greater of (A) the period to maturity of such Intermediate Lien Bonds and (B) a period of 25 years and with substantially level annual debt service payments; the interest rate used for the computation shall be a rate determined by a Consultant approved by at least two (2) Authorized Board Representatives to be a reasonable market rate for 25-year (or such other applicable greater period) fixed-rate Intermediate Lien Bonds issued on the date of such calculation, with no, credit enhancement and taking into consideration whether such Intermediate Lien Bonds bear interest that is or is not excluded from gross income for federal income tax purposes; with respect to any Series of Intermediate Lien Bonds only a portion of which constitutes Balloon Indebtedness, the remaining portion shall be treated as described in subsection (i) above or such other provision of this definition, as applicable, and, with respect to any Series or that portion of a Series which constitutes Balloon Indebtedness, all payments of principal and interest becoming due prior to the year of the stated maturity or mandatory redemption, as applicable, of the Balloon Indebtedness shall be treated as described in subsection (i) above or such other provision of this definition, as applicable;
- iii. for any portion or portions of Outstanding Series of Intermediate Lien Bonds which constitute Balloon Indebtedness with a stated due date that occurs within 12 months from the date of calculation under this definition, such portion or portions shall be assumed to become due and payable on the stated due date and subsection (ii) above shall not apply unless there is delivered to the entity making the calculation a certificate of an Authorized Board Representative setting forth the following: (A) a statement that the Board intends to refinance such Balloon Indebtedness; (B) the probable terms of such refinancing; and (C) the debt capacity of the Board is sufficient to successfully complete such refinancing; upon the receipt of such certificate, such Balloon Indebtedness shall be assumed to be refinanced in accordance with the probable terms set out in such certificate and such terms shall be used for purposes of calculating the Annual Intermediate Lien Debt Service;
- iv. if any of the Outstanding or proposed Series of Intermediate Lien Bonds constitute Tender Indebtedness (except to the extent subsection (v) relating to Variable Rate Indebtedness secured by a Liquidity Facility applies or subsection (ix), (x), (xi) or (xii) relating to Intermediate Lien Bonds which are part of a Program, are Repayment Obligations or for which a Qualified Swap is in effect applies), then such Tender Indebtedness shall be treated as if the applicable principal amount of such Intermediate Lien Bonds were to be amortized from the date of original issuance thereof over the greater of: (A) the period to the date such Tendered Indebtedness is required to be paid pursuant to the applicable tender; and (B) a period of 25 years and with substantially level annual debt service payments; the

interest rate used for the computation shall be a rate determined by a Consultant approved by at least two (2) Authorized Board Representatives to be a reasonable market rate for 25-year fixed-rate Intermediate Lien Bonds issued on the date of such calculation, with no credit enhancement and taking into consideration whether such Intermediate Lien Bonds bear interest which is or is not excluded from gross income for federal income tax purposes; with respect to all principal and interest payments becoming due prior to the year in which such Tender Indebtedness is first subject to tender such payments shall be treated as described in subsection (i) above unless the interest during that period is subject to fluctuation, in which case the interest becoming due prior to such first tender date shall be determined as provided in subsection (v), (vi), (vii) or (xiii) below, as appropriate;

- v. if any Intermediate Lien Bonds constitute Variable Rate Indebtedness (except to the extent subsection (ii) or (iii) relating to Balloon Indebtedness applies or subsection (iv) relating to Tender Indebtedness not secured by a Liquidity Facility applies, or subsection (xi) or (xii) relating to Qualified Swaps applies) that have not yet been issued or have been Outstanding for less than one (1) year, the interest rate on such tax-exempt Intermediate Lien Bonds shall be assumed to be the five (5)-year average of the SIFMA Municipal Swap Index, plus (a) 0.50% for non-AMT Intermediate Lien Bonds and 0.65% for AMT Intermediate Lien Bonds and the interest rate on such taxable Intermediate Lien Bonds shall be assumed to be the five (5)-year average of the one (1)-month LIBOR, plus 0.5%;
- vi. if any Intermediate Lien Bonds constitute Variable Rate Indebtedness (except to the extent subsection (ii) or (iii) relating to Balloon Indebtedness or subsection (xi) or (xii) relating to Qualified Swaps applies) that have been Outstanding for one (1) year or more, the interest rate on such Intermediate Lien Bonds shall be assumed to be the average of interest rates for the Intermediate Lien Bonds since their issuance by the Board up to the date of the calculation under this definition, plus 0.5%;
- vii. with respect to any Intermediate Lien Commercial Paper Program which has been proposed to be Implemented or has been Implemented and not then terminated, the principal and interest thereon shall be calculated as if the entire Authorized Amount of such Intermediate Lien Commercial Paper Program were to be amortized over a term of 25 years commencing in the year in which such Intermediate Lien Commercial Paper Program is Implemented and with substantially level annual debt service payments; the interest rate used for such computation shall be a rate determined by a Consultant approved by at least two (2) Authorized Board Representatives to be a reasonable market rate for 25-year fixed-rate Intermediate Lien Bonds on the date of such calculation, with no credit enhancement and taking into consideration whether such Intermediate Lien Bonds bear interest which is or is not excluded from gross income for federal income tax purposes;

- viii. with respect to any Program, other than an Intermediate Lien Commercial Paper Program, then proposed to be Implemented, it shall be assumed that the full Authorized Amount of such Intermediate Lien Bonds will be amortized over a term certified by an Authorized Board Representative to be the expected duration of such Program, but not to exceed 25 years, and commencing in the year such Program is Implemented and that debt service shall be paid in substantially level annual debt service payments over such assumed term; the interest rate used for such computation shall be a rate determined by a Consultant approved by at least two (2) Authorized Board Representatives to be a reasonable market rate for fixed-rate Intermediate Lien Bonds of a corresponding term issued under the Intermediate Lien Indenture on the date of such calculation, with no credit enhancement and taking into consideration whether such Intermediate Lien Bonds bear interest which is or is not excluded from gross income for federal income tax purposes;
- ix. with respect to any Program, other than an Intermediate Lien Commercial Paper Program, which has been Implemented (a) debt service on Intermediate Lien Bonds then Outstanding as part of such Program shall be determined in accordance with such of the foregoing provisions of this definition as shall be applicable, and (b) with respect to the Intermediate Lien Bonds of such Program which are Authorized, it shall be assumed that the full principal amount of such Authorized Intermediate Lien Bonds will be amortized over a term certified by an Authorized Board Representative to be the expected duration of such Program at the time of such calculation, but not to exceed 25 years from the date such Program is Implemented and it shall be assumed that debt service shall be paid in substantially level annual debt service payments over such assumed term; the interest rate used for such computation shall be a rate determined by a Consultant approved by at least two (2) Authorized Board Representatives to be a reasonable market rate for fixed-rate Intermediate Lien Bonds of a corresponding term issued under the Intermediate Lien Indenture on the date of such calculation, with no credit enhancement and taking into consideration whether such Intermediate Lien Bonds bear interest which is or is not excluded from gross income for federal income tax purposes;
- x. debt service on Repayment Obligations, to the extent such obligations constitute Intermediate Lien Bonds under the Intermediate Lien Indenture, shall be calculated as provided in this APPENDIX B-1 under “THE INTERMEDIATE LIEN MASTER TRUST INDENTURE—Repayment Obligations;”
- xi. for purposes of computing the Annual Intermediate Lien Debt Service of Intermediate Lien Bonds of a Series with respect to which a Qualified Swap is in effect, the interest payable thereon (a) except as provided in clause (b) of this sentence, shall be deemed to be the interest payable under the Qualified Swap in accordance with the terms thereof plus any amount required to be paid by the Board to the Qualified Swap Provider pursuant to the Qualified Swap or minus any amount required to be paid by the Qualified Swap Provider to the Board pursuant to the Qualified Swap, provided that any amount accruing at a variable

rate shall be determined in accordance with subsection (v) or (vi) of this definition, or (b) for purposes of computing the Annual Intermediate Lien Debt Service for any Reserve Fund created for a Series of Intermediate Lien Bonds and for purposes of any computation for the issuance of additional Intermediate Lien Bonds as provided in this APPENDIX B-1 under “THE INTERMEDIATE LIEN MASTER TRUST INDENTURE—Additional Intermediate Lien Bonds,” shall be deemed to be the amount accruing (1) at the fixed rate as provided in the Qualified Swap if the Qualified Swap provides that the Board’s obligation thereunder is payable at a fixed rate or (2) at a variable rate determined in accordance with subsection (v) or (vi) of this definition if the Qualified Swap provides that the Board’s obligation thereunder is payable at a variable rate.

- xii. for purposes of computing the Annual Intermediate Lien Debt Service of Qualified Swaps with respect to which no Intermediate Lien Bonds are presently Outstanding or of that portion of a Qualified Swap with respect to which the notional amount is greater than the principal amount of Outstanding Intermediate Lien Bonds to which such Qualified Swap relates for purposes of computation of Annual Intermediate Lien Debt Service for a period after the date of computation, the interest payable thereon shall be deemed to be the net amount most recently paid, as of the date of computation, by the Board to the Qualified Swap Provider thereunder or (expressed negative number) by the Qualified Swap Provider to the Board thereunder; and
- xiii. if moneys or Permitted Investments have been irrevocably deposited with and are held by the Trustee or another fiduciary or Capitalized Interest has been set aside exclusively to be used to pay principal and/or interest on specified Intermediate Lien Bonds, then the principal and/or interest to be paid from such moneys, Permitted Investments, or Capitalized Interest or from the earnings thereon shall be disregarded and not included in calculating Annual Intermediate Lien Debt Service.

“*Annual Senior Lien Debt Service*” means, at any point in time, with respect to all Senior Lien Bonds that are then Outstanding and all Senior Lien Bonds which are then Authorized, the aggregate amount of principal and interest becoming due in a given Fiscal Year, calculated in accordance with the assumptions described in the definition of “Maximum Annual Debt Service” in the Senior Lien Indenture.

“*Authorized*” means, with respect to any Program which has been Implemented and not terminated, the Authorized Amount less the amounts which are Outstanding at the time of calculation. Notwithstanding the foregoing, the defined term, as applied to the Senior Lien Bonds, shall have the meaning given to such term in the Senior Lien Indenture.

“*Authorized Amount*” means, when used with respect to a Program, the maximum Principal Amount of Intermediate Lien Bonds which is then authorized by the Board to be Outstanding at any one time under the terms of such Program; provided that “Authorized Amount” means, with respect to any Intermediate Lien Commercial Paper Program, the lesser of (i) the maximum Principal Amount of Intermediate Lien Commercial Paper Notes then authorized by the Board to

be Outstanding at any time under the terms of such Intermediate Lien Commercial Paper Program or (ii) the sum of (a) the maximum Principal Amount available (utilized and unutilized, if applicable) under a Credit Facility or Credit Facilities entered into with respect to such Intermediate Lien Commercial Paper Program and (b) the maximum Principal Amount of such Intermediate Lien Commercial Paper Program that is Outstanding and unenhanced by a Credit Facility. Notwithstanding the foregoing, the defined term, as applied to the Senior Lien Bonds, shall have the meaning given to such term in the Senior Lien Indenture.

“*Authorized Board Representative*” means the Executive Director, the Deputy Executive Director Operations or the Deputy Executive Director Financial Services of the Board or such other officer or employee of the Board or other person which other officer, employee or person has been designated by the Board as an Authorized Board Representative by written notice delivered by the Executive Director, the Deputy Executive Director Operations or the Deputy Executive Director Financial Services to the Trustee.

“*Available Pledged Revenues*” means “Available Pledged Revenues” as defined in the Commercial Paper Note Indentures.

“*Average Annual Debt Service*” means, at any point in time, the average of the debt service scheduled to be due in any Fiscal Year with respect to all Intermediate Lien Common Reserve Fund Bonds then secured by the Intermediate Lien Common Reserve Fund during the period beginning with the then current Fiscal Year and ending with the Fiscal Year in which the last of such Intermediate Lien Common Reserve Fund Bonds mature by their terms.

“*Balloon Indebtedness*” means, with respect to any Series of Intermediate Lien Bonds twenty-five percent (25%) or more of the original Principal Amount of which becomes due (either at maturity or upon scheduled mandatory redemption) during any Fiscal Year, that portion of such Series which becomes due within such Fiscal Year; provided, however, that to constitute Balloon Indebtedness, the amount of Intermediate Lien Bonds of a Series becoming due within a Fiscal Year must equal or exceed 150% of the amount of such Series which was due during any preceding Fiscal Year. For purposes of this definition, the principal amount becoming due on any date shall be reduced by the amount of such Intermediate Lien Bonds that is scheduled to be amortized by prepayment or redemption prior to the stated due date of such Intermediate Lien Bonds. An Intermediate Lien Commercial Paper Program and the Intermediate Lien Commercial Paper Notes constituting part of such program shall not be Balloon Indebtedness.

“*Board*” means the Board of Port Commissioners of the City of Oakland, California, created under the provisions of the Act, and any successor to its function.

“*Bond Counsel*” means a firm or firms of attorneys which are nationally recognized as experts in the area of municipal finance, which are familiar with the types of transactions contemplated under the Intermediate Lien Indenture and which are acceptable to the Board.

“*Bondholder*,” “*holder*,” “*owner*” or “*registered owner*” means the person in whose name any Intermediate Lien Bond or Intermediate Lien 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 an

Intermediate Lien Bond under the provisions of the Intermediate Lien Indenture. For so long as the 2017 Intermediate Lien Bonds are Book-Entry Bonds, the Bondholders shall be DTC or its nominee.

“*Book-Entry Bonds*” means the 2017 Intermediate Lien Bonds held by DTC (or its nominee) as the registered owner thereof pursuant to the terms and provisions of the Third Supplemental Intermediate Lien Trust Indenture.

“*Business Day*” means 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 of Intermediate Lien Bonds if so provided by Supplemental Intermediate Lien Indenture.

“*Capital Appreciation Bonds*” means Intermediate Lien 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 Intermediate Lien Indenture and is payable only upon redemption or on the maturity date of such Intermediate Lien Bonds. Intermediate Lien Bonds which are issued as Capital Appreciation Bonds but later convert to Intermediate Lien 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.

“*Capitalized Interest*” means the amount, if any, of the proceeds received upon issuance of Intermediate Lien Bonds, which is used to pay interest on the Intermediate Lien Bonds.

“*Charter*” means the Charter of the City of Oakland, California as amended from time to time.

“*Code*” means the Internal Revenue Code of 1986, as amended, and the applicable United States Treasury Regulations proposed or in effect with respect thereto.

“*Commercial Paper Note Indentures*” means, collectively, that certain Trust Indenture dated as of October 1, 1998 and that certain Trust Indenture dated as of September 1, 1999, each between the Board and the Trustee, and as the same may be supplemented and amended from time to time, along with any other trust indenture(s) pursuant to which the Board may issue commercial paper notes that rank junior and subordinate to the Intermediate Lien Bonds.

“*Construction Fund*” means any of the Construction Funds authorized to be created under the Intermediate Lien Indenture.

“*Consultant*” means any independent consultant, consulting firm, engineer, architect, engineering firm, architectural firm, accountant or accounting firm or other expert recognized to be well-qualified for work of the character required and retained by the Board to perform acts and carry out the duties provided for such Consultant in the Intermediate Lien Indenture.

“*Costs*” or “*Costs of the Project*” all costs of planning, developing, financing, constructing, installing, equipping, furnishing, improving, acquiring, enlarging and/or renovating a Project and placing the same in service and shall include, but not be limited to (1) costs of real or personal

property, rights, franchises, easements and other interests in property, real or personal, and the cost of demolishing or removing structures and site preparation, infrastructure development, and landscaping and acquisition of land from which structures may be removed; (2) the costs of materials and supplies, machinery, equipment, vehicles, rolling stock, furnishings, improvements and enhancements; (3) labor and related costs and the costs of services provided, including costs of consultants, advisors, architects, engineers, accountants, planners, attorneys, financial and feasibility consultants, in each case, whether in-house or independent, (4) costs of the Board properly allocated to a Project 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; (5) financing expenses, including costs related to issuance of and securing of Intermediate Lien Bonds, costs of Credit Facilities, Capitalized Interest, debt service reserve funds, trustee's fees and expenses; (6) any Swap Termination Payments due in connection with a Series of Intermediate Lien Bonds, and (7) any other costs and expenses incurred by the Board with respect to planning, developing, financing, constructing, installing, equipping, furnishing, improving, acquiring, enlarging and/or renovating a Project and placing the same in service.

“Costs of Issuance” means all costs and expenses incurred by the Board in connection with the issuance of the 2017 Intermediate Lien Bonds.

“Credit Facility” means, as applicable, a policy of municipal bond insurance, a letter of credit, surety bond, line of credit, guarantee, standby purchase agreement, 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 specified Intermediate Lien Bonds or a Series of Intermediate Lien Bonds whether such obligation is to pay in the first instance and seek reimbursement or to pay only if the Board fails to do so and such term includes any such instrument which is used to fund a Reserve Fund or provide security in lieu of a Reserve Fund.

“Credit Provider” means the party obligated to make payment on the Intermediate Lien Bonds under a Credit Facility.

“Customer Facility Charge” means a customer facility charge authorized to be imposed by the Port in accordance with §1936 of the California Civil Code or any other applicable State law.

“DBW” means the California Department of Boating and Waterways.

“DBW Loans” means loan agreements by and between the Board and DBW and any other evidences of indebtedness of the Board in favor of DBW, whether now or hereafter in effect, providing the terms and conditions for the incurrence of indebtedness secured in whole or in part by Pledged Revenues and subordinate to the lien on and security interest granted in the Pledged Revenues pursuant to the Senior Lien Indenture.

“Debt Service Fund” means any of the Debt Service Funds required to be created as provided by the Intermediate Lien Indenture.

“Deputy Executive Director Financial Services” means the Deputy Executive Director Financial Services of the Board or such other title as the Board may from time to time assign for

such position, and the officer or officers succeeding to such position as certified to the Trustee by the Board.

“*DTC*” means The Depository Trust Company, a limited purpose trust company organized under the laws of the State of New York, and its successors and assigns.

“*Estimated Completion Date*” means the estimated date upon which a Specified Project will have been substantially completed in accordance with the plans and specifications applicable thereto or the estimated date upon which a Specified Project is expected to have been acquired and payment therefor made, in each case, as that date shall be set forth in a certificate of an Authorized Board Representative delivered (i) at or prior to the time of issuance of the Intermediate Lien Bonds which are to finance such Project, to the Trustee and the Consultant approved by at least two (2) Authorized Board Representatives or (ii) thereafter, to the applicable Consultant approved by at least two (2) Authorized Board Representatives in accordance with the Intermediate Lien Indenture.

“*Event of Default*” means any occurrence or event specified in this APPENDIX B-1 under “THE INTERMEDIATE LIEN MASTER TRUST INDENTURE—Event of Default and Remedies.”

“*Fiscal Year*” means 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 Board designates as its fiscal year.

“*First Supplement*” means the First Supplemental Intermediate Lien Trust Indenture, dated as of October 1, 2007, by and between the Board and the Trustee.

“*Government Obligations*” means (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 their highest rating category by two Rating Agencies that then maintain a rating on such obligations.

“*Implemented*” means, when used with respect to a Program, a Program which has been authorized and the terms thereof approved by a resolution adopted by the Board, and the conditions to issuance, as set forth in the Intermediate Lien Indenture, have been met.

“*Intermediate Lien Bond*” or “*Intermediate Lien Bonds*” means any debt obligation of the Board issued under and in accordance with the Intermediate Lien Indenture, including, but not

limited to, bonds, notes, bond anticipation notes, commercial paper and other instruments creating an indebtedness of the Board, and obligations incurred through lease or installment purchase agreements or other agreements or certificates of participation therein and Repayment Obligations to the extent provided in the Intermediate Lien Indenture. In connection with Intermediate Lien Bonds of a Series with respect to which a Qualified Swap is in effect or proposed to be in effect, the term “Intermediate Lien Bonds” includes, collectively, both such Intermediate Lien Bonds and either such Qualified Swap or the obligations of the Board under such Qualified Swap, as the context requires; provided that the Qualified Swap is entered into concurrently with the issuance of applicable Intermediate Lien Bonds. Notwithstanding the foregoing, the Qualified Swap Provider shall not be considered to be an owner of Intermediate Lien Bonds for purposes of receiving notices, granting consents or approvals, or directing or controlling any actions, restrictions, rights, remedies or waivers hereunder, except as expressly provided herein.

“*Intermediate Lien Common Reserve Fund*” or “*Intermediate Lien Common Reserve Fund*” has the meaning ascribed to “Intermediate Lien Common Reserve Fund” in the Official Statement under “SECURITY AND SOURCES OF PAYMENT FOR THE 2017 INTERMEDIATE LIEN BONDS—Intermediate Lien Bonds Intermediate Lien Common Reserve Fund.”

“*Intermediate Lien Common Reserve Fund*” means the “2007 Common Reserve Fund” created as security for the Intermediate Lien Common Reserve Fund Bonds pursuant to the First Supplement, which fund has been continued and renamed the “Intermediate Lien Common Reserve Fund” pursuant to the Third Supplemental Indenture.

“*Intermediate Lien Common Reserve Fund Bonds*” means the 2017 Intermediate Lien Bonds and any other Intermediate Lien Bonds secured by the Intermediate Lien Common Reserve Fund under the terms of the Intermediate Lien Master Trust Indenture and the applicable supplemental indenture, including, without limitation, the Third Supplemental Indenture.

“*Intermediate Lien Common Reserve Fund Requirement*” means an amount equal to the least of (a) the Average Annual Debt Service for all Intermediate Lien Common Reserve Fund Bonds then Outstanding, (b) the Maximum Aggregate Annual Debt Service for all Intermediate Lien Common Reserve Fund Bonds then Outstanding, and (c) 10% of the proceeds at their respective original issuance of all Intermediate Lien Common Reserve Fund Bonds of each Series then Outstanding; provided, however, that if, upon issuance of any Intermediate Lien Common Reserve Fund Bonds, such amount would require moneys to be credited to the Intermediate Lien Common Reserve Fund in an amount in excess of the maximum amount permitted under the Code to be then funded from the proceeds of tax-exempt bonds, the Intermediate Lien Common Reserve Fund Requirement shall mean an amount equal to the sum of the Intermediate Lien Common Reserve Fund Requirement immediately preceding such issuance of Intermediate Lien Common Reserve Fund Bonds and the maximum additional amount permitted under the Code to be then funded from the proceeds of such Intermediate Lien Common Reserve Fund Bonds for such purpose. The Intermediate Lien Common Reserve Fund Requirement shall be adjusted upon any principal payment (scheduled or unscheduled), redemption or defeasance of the Intermediate Lien Common Reserve Fund Bonds; provided that the adjusted Intermediate Lien Common Reserve Fund Requirement shall not exceed the Intermediate Lien Common Reserve Fund Requirement

immediately preceding such principal payment (scheduled or unscheduled), redemption or defeasance.

“*Intermediate Lien Commercial Paper Note*” means notes of the Board with a maturity of not more than 270 days from the date of issuance and which are issued and reissued from time to time pursuant to a Program adopted by the Board.

“*Intermediate Lien Commercial Paper Program*” means a Program authorized by the Board pursuant to which Intermediate Lien Commercial Paper Notes shall be issued and reissued from time to time, up to the Authorized Amount of such Program.

“*Intermediate Lien Indenture*” or “*Intermediate Lien Master Trust Indenture*” means the Intermediate Lien Master Trust Indenture dated as of October 1, 2007, as the same may be amended or supplemented from time to time, between the Board and the Trustee, under which the 2017 Intermediate Lien Bonds are authorized and secured.

“*Intermediate Lien Notes*” means Intermediate Lien Bonds issued under the provisions of the Intermediate Lien Indenture which have a maturity of five years or less from their date of original issuance and which are not part of an Intermediate Lien Commercial Paper Program.

“*Intermediate Lien Pledged Revenues*” means Pledged Revenues after payment therefrom first of all amounts required to be paid and then due and payable under the Senior Lien Indenture for any Senior Lien Obligations and second any debt service requirements then due and payable on the DBW Loans, to the extent such funds are available under their terms and applicable law for purposes consistent with the payment of debt service on the Intermediate Lien Bonds.

“*Intermediate Lien Rebate Fund*” means any fund created by the Board pursuant to a Supplemental Intermediate Lien Indenture in connection with the issuance of the Intermediate Lien Bonds or any Series of Intermediate Lien Bonds for the purpose of complying with the Code and providing for the collection and holding for and payment of amounts to the United States of America.

“*Investment Agreement*” means 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 at least two Rating Agencies, if applicable, then maintaining a rating on any of the Intermediate Lien Bonds to be secured thereby or (ii) which investment agreement or guaranteed investment contract is fully secured by obligations described in item (a) or (b) of the definition of Permitted Investments (A) 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, (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 Board, (C) subject to a perfected first lien in favor of the Trustee, and (D) free and clear from all third-party liens.

“*Liquidity Facility*” means a letter of credit, line of credit, standby purchase agreement or other financial instrument which is available to provide funds with which to purchase Intermediate Lien Bonds.

“*Liquidity Provider*” means the entity which is obligated to provide funds to purchase Intermediate Lien Bonds under the terms of a Liquidity Facility.

“*Maximum Aggregate Annual Debt Service*” means, at any point in time, the maximum debt service scheduled to be due and payable in any Fiscal Year on all Intermediate Lien Common Reserve Fund Bonds then Outstanding, during the period beginning with the then current Fiscal Year and ending with the Fiscal Year in which the last of such Intermediate Lien Common Reserve Fund Bonds mature by their terms.

“*Maximum Annual Debt Service*” means the maximum sum of the Annual DBW Loan Debt Service, the Annual Intermediate Lien Debt Service and the Annual Senior Lien Debt Service at a given point in time.

“*Net Proceeds*” means insurance proceeds received as a result of damage to or destruction of Port Facilities or any condemnation award or amounts received from the sale of Port Facilities under the threat of condemnation less expenses (including attorneys’ fees and any expenses of the Trustee) incurred in the collection of such proceeds or award.

“*Net Revenues*” means, for any given period, the Revenues for such period less the Operation and Maintenance Expenses for such period.

“*Operation and Maintenance Expenses*” means, for any given period, the total operation and maintenance expenses of the Board as determined in accordance with generally accepted accounting principles as modified from time to time, excluding any operation and maintenance expenses payable from moneys other than Intermediate Lien Pledged Revenues.

“*Original Issue Discount Bonds*” means Intermediate Lien 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 Intermediate Lien Indenture under which such Intermediate Lien Bonds are issued.

“*Outstanding*” when used with respect to Intermediate Lien Bonds means all Intermediate Lien Bonds which have been authenticated and delivered under the Intermediate Lien Indenture, except: (a) Intermediate Lien Bonds cancelled 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) Intermediate Lien Bonds deemed to be paid in accordance with the Intermediate Lien Indenture; (c) Intermediate Lien Bonds in lieu of which other Intermediate Lien Bonds have been authenticated under the Intermediate Lien Indenture; (d) Intermediate Lien Bonds that have become due (at maturity, on redemption, 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) Intermediate Lien Bonds which, under the terms of the Supplemental Intermediate Lien Indenture pursuant to which they were issued, are deemed to be no longer Outstanding; (f) Repayment Obligations deemed to be Intermediate Lien Bonds under the Intermediate Lien Indenture to the extent such Repayment Obligation arose under the terms of

a Liquidity Facility and are secured by a pledge of Outstanding Intermediate Lien 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 Intermediate Lien Bonds under the Intermediate Lien Indenture, Intermediate Lien Bonds held by or for the account of the Board or by any person controlling, controlled by or under common control with the Board, unless such Intermediate Lien Bonds are pledged to secure a debt to an unrelated party. Notwithstanding the foregoing, the term “Outstanding”, as applied to the Senior Lien Bonds, shall have the meaning given to such term in the Senior Lien Indenture. Notwithstanding the foregoing, the term “Outstanding”, as applied to the DBW Loans, means all DBW Loans that have not been paid in full in accordance with the terms thereof.

“*Passenger Facility Charges*” means the passenger facility fees authorized to be imposed by the Port in accordance with 49 U.S.C. Section 40117, *et seq.* or any other applicable federal law.

“*Paying Agent*” or “*Paying Agents*” means, with respect to the Intermediate Lien Bonds or any Series of Intermediate Lien Bonds, the banks, trust companies or other financial institutions or other entities designated in a Supplemental Intermediate Lien Indenture or a resolution of the Board as the place where such Intermediate Lien Bonds shall be payable.

“*Payment Date*” means, with respect to any Intermediate Lien Bonds, each date on which interest is due and payable thereon and each date on which principal is due and payable thereon whether by maturity or redemption thereof.

“*Permitted Investments*” means any bonds, notes, certificates of indebtedness, bills or any other available investment, if and to the extent the same are at the time legal for investment of the Board’s funds pursuant to any applicable law, and to the extent permitted under any applicable regulation, guideline and policy of the Board, each in effect from time to time.

“*Pledged Revenues*” means, except to the extent specifically excluded herefrom, all income, receipts, earnings and revenues received by, held by, accrued to or entitled to be received by the Board or any successor thereto from the operation and/or ownership of the Port or any of the Port Facilities or activities and undertakings related thereto or from any other facilities wherever located with respect to which the Board receives payments and from the investment of amounts held in the Port Revenue Fund, including, but not limited to, (1) rates, tolls, fees, rentals, charges and other payments made to or owed to the Board for the use or availability of property or facilities, (2) amounts received or owed from the sale or provision of supplies, materials, goods and services provided by or made available by the Board, (3) Net Proceeds and rental or business interruption insurance proceeds, and (4) amounts held in the Port Revenue Fund, Pledged Revenues shall also include such additional revenues, if any, as are designated as Pledged Revenues under the terms of any supplemental indenture to the Senior Lien Indenture. The following are specifically excluded from Pledged Revenues: (i) any amounts received by the Board from the imposition of ad valorem taxes, (ii) gifts, grants, Passenger Facility Charges and Customer Facility Charges which are restricted by their terms to purposes inconsistent with the payment of debt service on the Senior Lien Bonds, (iii) insurance proceeds to the extent the use of such proceeds are restricted by the terms of the policy under which they are paid to a use

inconsistent with the payment of debt service on the Senior Lien Bonds and (iv) Special Facilities Revenues.

“*Port*” or “*Port of Oakland*” means all facilities and property, real or personal, wherever located, under the jurisdiction or control of the Board or in which the Board has other rights or from which the Board derives revenues.

“*Port Facilities*” or “*Port Facility*” means a specific facility or group of facilities or category of facilities which constitute or are part of the Port.

“*Port Revenue Fund*” means that fund created by and existing pursuant to Section 717(3) of the Charter or any successor provision.

“*Principal Amount*” or “*principal amount*” means, as of any date of calculation, (i) with respect to any Capital Appreciation Bond, the Accreted Value thereof (the difference between the stated amount to be paid at maturity and the Accreted Value being deemed unearned interest), (ii) with respect to any Original Issue Discount Bond, the Accreted Value thereof, unless the Supplemental Intermediate Lien Indenture under which such Intermediate Lien Bond was issued shall specify a different amount, in which case, the terms of the Supplemental Intermediate Lien Indenture shall control and (iii) with respect to any other Intermediate Lien Bonds, the principal amount of such Intermediate Lien Bond payable at maturity or upon scheduled mandatory redemption.

“*Program*” means an Intermediate Lien Commercial Paper Program, auction bond program or other Program pursuant to which the Board authorizes the issuance of Intermediate Lien Bonds from time to time up to an Authorized Amount and sets forth the procedures under which such Intermediate Lien Bonds shall be issued and the terms of such Intermediate Lien Bonds.

“*Project*” means any and all facilities or equipment financed in whole or in part with proceeds of Intermediate Lien Bonds.

“*Qualified Swap*” means any financial arrangement (i) that is entered into by the Board concurrently with the issuance of applicable Intermediate Lien Bonds with an entity that is a Qualified Swap Provider at the time the arrangement is entered into; (ii) which provides that the Board shall pay to such entity an amount based on the interest accruing at a fixed or a variable rate on an amount equal to the designated principal amount of Intermediate Lien Bonds Outstanding or to be Outstanding as described therein, and that such entity shall pay to the Board an amount based on the interest accruing on such principal amount at a variable or fixed rate of interest computed according to a formula set forth in such arrangement (which need not be the same as the actual rate of interest borne by such Intermediate Lien Bonds) or that one shall pay to the other any net amount due under such arrangement; and (iii) which has been designated in writing to the Trustee by the Authorized Board Representative as a Qualified Swap with respect to such Intermediate Lien Bonds.

“*Qualified Swap Provider*” means with respect to a Qualified Swap a financial institution whose senior long term debt obligations, or whose obligations under a Qualified Swap are guaranteed by a financial institution whose senior long term debt obligations, are rated (at the time

the subject Qualified Swap is entered into) in one of the three highest ratings categories by at least two Rating Agencies, or the equivalent thereto in the case of any successor thereto, and which is approved in writing by any bond insurer insuring payment of principal of and interest on the Series of Intermediate Lien Bonds to which such Qualified Swap relates.

“*Rating Agency*” means Moody’s, S&P or Fitch.

“*Registrar*” means, with respect to the Intermediate Lien Bonds or any Series of Intermediate Lien Bonds, the bank, trust company or other entity designated in a Supplemental Intermediate Lien Indenture or a resolution of the Board to perform the function of Registrar under the Intermediate Lien Indenture or any Supplemental Intermediate Lien Indenture, and which bank, trust company or other entity has accepted the position in accordance with the Intermediate Lien Indenture.

“*Repayment Obligations*” means an obligation arising under a written agreement of the Board and a Credit Provider pursuant to which the Board agrees to reimburse the Credit Provider for amounts paid through a Credit Facility to be used to pay debt service on any Intermediate Lien Bonds or an obligation arising under a written agreement of the Board and a Liquidity Provider pursuant to which the Board agrees to reimburse the Liquidity Provider for amounts paid through a Liquidity Facility to be used to purchase Intermediate Lien Bonds.

“*Reserve Fund*” means any Reserve Fund created by the Board pursuant to a Supplemental Intermediate Lien Indenture in connection with the issuance of any Series of Intermediate Lien Bonds for the purpose of providing additional security for such Series of Intermediate Lien Bonds; such term shall also mean any surety bond, insurance policy or other financial instrument which is provided in lieu of a funded reserve for a Series of Intermediate Lien Bonds.

“*Reserve Fund Insurance Policy*” means any insurance policy, letter of credit, qualified surety bond or other financial instrument that can be drawn upon with respect to all Intermediate Lien Common Reserve Fund Bonds deposited in the Intermediate Lien Common Reserve Fund in lieu of or in partial substitution for cash or securities.

“*Revenues*” means the operating revenues and interest income of the Board, for any given period, as determined in accordance with generally accepted accounting principles, as modified from time to time, but excluding (i) Special Facilities Revenues and (ii) any amounts paid to the Board pursuant to a Qualified Swap.

“*Senior Lien Bonds*” means “Bonds” as defined in the Senior Lien Indenture.

“*Senior Lien Indenture*” or “*Senior Lien Master Trust Indenture*” means that certain Amended and Restated Master Trust Indenture dated as of April 1, 2006, between the Board and U.S. Bank National Association, as trustee, as the same has been and may be amended and supplemented in accordance therewith.

“*Senior Lien Obligations*” means all amounts required to be paid and then due and payable under the Senior Lien Indenture for principal, interest, reserve fund and any other debt service requirements or related obligations on the Senior Lien Bonds.

“*Series*” means Intermediate Lien Bonds designated as a separate Series by a Supplemental Intermediate Lien Indenture and, with respect to an Intermediate Lien Commercial Paper Program, means the full Authorized Amount of such Program, regardless of when or whether issued, unless portions thereof are, by Supplemental Intermediate Lien Indenture, designated as separate Series.

“*Series D Bonds*” or “*2017 Series D Intermediate Lien Bonds*” means the Port of Oakland, California Intermediate Lien Refunding Revenue Bonds 2017 Series D (Private Activity/AMT) issued under the Intermediate Lien Indenture and the Third Supplemental Intermediate Lien Trust Indenture.

“*Series E Bonds*” or “*2017 Series D Intermediate Lien Bonds*” means the Port of Oakland, California Intermediate Lien Refunding Revenue Bonds 2017 Series E (Governmental/Non-AMT) issued under the Intermediate Lien Indenture and the Third Supplemental Intermediate Lien Trust Indenture.

“*Series F Bonds*” or “*2017 Series D Intermediate Lien Bonds*” means the Port of Oakland, California Intermediate Lien Refunding Revenue Bonds 2017 Series F (Private Activity/Non-AMT) issued under the Intermediate Lien Indenture and the Third Supplemental Intermediate Lien Trust Indenture.

“*Series G Bonds*” or “*2017 Series D Intermediate Lien Bonds*” means the Port of Oakland, California Intermediate Lien Refunding Revenue Bonds 2017 Series G (Federally Taxable) issued under the Intermediate Lien Indenture and the Third Supplemental Intermediate Lien Trust Indenture.

“*Special Facilities Revenues*” means the contractual payments derived by the Board from a Special Facility and all other income and revenues available to the Board from such Special Facility.

“*Special Facility*” means a facility which is designated as a Special Facility under the provisions of the Intermediate Lien Indenture and, if any Senior Lien Bonds are Outstanding, under the provisions of the Senior Lien Indenture.

“*Special Obligations*” means bonds or other debt instruments which are not secured by nor payable from the Intermediate Lien Pledged Revenues, but are payable from Special Facilities Revenues.

“*Specified Project*” means a Project or a group of alternative Projects which are financed by the proceeds of Intermediate Lien Bonds and are described in a certificate of an Authorized Board Representative delivered (i) at or prior to the time of issuance of the Intermediate Lien Bonds which are to finance such Project, to the Trustee and the Consultant approved by at least two (2) Authorized Board Representatives or (ii) thereafter, to the applicable Consultant approved by at least two (2) Authorized Board Representatives in accordance with the Intermediate Lien Indenture.

“*State*” means the State of California.

“*Subordinated Obligation*” means any bond or other debt instrument issued or otherwise entered into by the Board, including the commercial paper notes issued under the Commercial Paper Note Indentures, which ranks junior and subordinate to the Intermediate Lien Bonds and which may be paid from moneys constituting Intermediate Lien Pledged Revenues only if all amounts of principal and interest which have become due and payable on the Intermediate Lien Bonds whether by maturity, redemption or acceleration have been paid in full and the Board is current on all payments required to be made to replenish all Reserve Funds. In connection with any Subordinated Obligation with respect to which an interest rate swap is in effect or is proposed to be in effect, the term “Subordinated Obligation” includes, collectively, both such Subordinated Obligation and either such interest rate swap or the obligations of the Board under such interest rate swap, as the context requires, to the extent such interest swap was entered into and effective concurrent with the issuance of such Subordinated Obligation. The term “Subordinated Obligations” also includes an interest rate swap or the obligations of the Board under such interest rate 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 interest rate swap was entered into are outstanding.

“*Supplemental Intermediate Lien Indenture*” means any document supplementing or amending the Intermediate Lien Indenture or providing for the issuance of Intermediate Lien Bonds, including the Third Supplemental Intermediate Lien Trust Indenture.

“*Surety Bond Provider*” means MBIA Insurance Corporation, which is now administered by National Public Finance Guarantee Corporation, or any successor thereto.

“*Swap Termination Payment*” means an amount payable by the Board 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 Agreement*” means that Tax Certificate and Agreement dated the date of issuance of the 2017 Intermediate Lien Bonds executed by the Board with respect to the Series D Bonds, the Series E Bonds and the Series F Bonds.

“*Tender Indebtedness*” means any Intermediate Lien Bonds or portions of Intermediate Lien Bonds a feature of which is an option, on the part of the Bondholders, or an obligation, under the terms of such Intermediate Lien Bonds, to tender all or a portion of such Intermediate Lien Bonds to the Board, the Trustee, the Paying Agent or other fiduciary or agent or Credit Provider for payment or purchase and requiring that such Intermediate Lien Bonds or portions of Intermediate Lien Bonds be purchased if properly presented.

“*Third Supplemental Intermediate Lien Trust Indenture*” or “*Third Supplemental Indenture*” means the Third Supplemental Intermediate Lien Trust Indenture, between the Board and the Trustee and which sets forth the terms of the 2017 Intermediate Lien Bonds.

“Trustee” or “Intermediate Lien Trustee” means U.S. National Association, national banking association organized and existing under the laws of the United States of America, until a successor replaces it and, thereafter, means such successor.

“United States Obligations” means 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 (in the case of direct and general obligations and not 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.

“Variable Rate Indebtedness” means any Intermediate Lien Bond or Intermediate Lien Bonds the interest rate on which is not, at the time in question, fixed to maturity.

THE INTERMEDIATE LIEN MASTER TRUST INDENTURE

The following is a summary of certain provisions of the Intermediate Lien Master Trust Indenture. Such summary is only a brief description of certain provisions of such document and is qualified in its entirety by reference to the full text of the Intermediate Lien Indenture.

Grant to Secure the Intermediate Lien Bonds; Pledge of Intermediate Lien Pledged Revenues

To secure the payment of the Intermediate Lien Bonds and the performance and observance by the Board of all the covenants, agreements, and conditions expressed or implied in the Intermediate Lien Indenture or contained in the Intermediate Lien Bonds, the Board 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 Board in and to all of the following: (a) the Intermediate Lien Pledged Revenues, (b) all moneys and securities (excluding moneys and securities on deposit in any Intermediate Lien Rebate Fund) held by the Trustee under the Intermediate Lien Indenture and moneys and securities held in any Construction Fund whether or not held by the Trustee, (c) earnings on amounts included in provisions (a) and (b) above and (d) any and all other funds, assets, rights, property or interests therein which may be sold, transferred, conveyed, assigned, pledged, mortgaged, granted or delivered to or deposited with the Trustee as additional security under the Intermediate Lien Indenture, for the equal and proportionate benefit and security of all Intermediate Lien Bonds, all of which, regardless of the time of their authentication and delivery or maturity, shall, with respect to the security provided by the Intermediate Lien Indenture, be of equal rank without preference, priority or distinction as to any Intermediate Lien Bond over any other Intermediate Lien Bond, except as to the timing of payment of the Intermediate Lien Bonds. Such pledge, lien and security interest (1) shall be junior and subordinate first to the pledge of the Pledged Revenues and the lien created thereon by the Senior Lien Indenture in favor of the Senior Lien Bonds to satisfy the Senior

Lien Obligations, and second to the pledge of Pledged Revenues and the lien created thereon by the DBW Loans in favor of the Board's repayment obligations thereunder but (2) shall be senior to the pledge of the Available Pledged Revenues and the lien created thereon by the Commercial Paper Note Indentures and the commercial paper notes issued by the Board thereunder. Notwithstanding any statements to the contrary, any Reserve Fund created by a Supplemental Intermediate Lien Indenture and any other security or Credit Facility provided for specific Intermediate Lien Bonds or one or more specific Series of Intermediate Lien Bonds may, as provided by Supplemental Intermediate Lien Indenture, secure only such specific Intermediate Lien Bonds or Series of Intermediate Lien Bonds and shall not be included as security for all Intermediate Lien Bonds under the Intermediate Lien Indenture and moneys and securities held in trust exclusively for specific Intermediate Lien Bonds which have become due and payable and moneys and securities which are held exclusively to pay specific Intermediate Lien Bonds which are deemed to have been paid under the Intermediate Lien Indenture shall be held solely for the payment of such specific Intermediate Lien Bonds..

The Board represents and states that, except with respect to the Pledged Revenues and the liens created thereon in connection with the Senior Lien Indenture and the DBW Loans, it has not previously created any charge or lien on or any security interest in the Intermediate Lien Pledged Revenues that is senior to or in parity with the Intermediate Lien Bonds. Except with respect to the Pledged Revenues and the liens created thereon in connection with the Senior Lien Indenture (and any Senior Lien Bonds issued or to be issued thereunder) and the DBW Loans, the Board covenants that, until all the Intermediate Lien Bonds authorized and issued under the provisions of the Intermediate Lien Indenture and the interest thereon shall have been paid or be deemed to have been paid, it will not grant any prior or parity pledge of or any security interest in the Intermediate Lien Pledged Revenues or any of the other security which is pledged pursuant to the Intermediate Lien Indenture, 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 Intermediate Lien Bonds Outstanding under the Intermediate Lien Indenture. The Board is permitted to grant a lien on or security interest in the Intermediate Lien Pledged Revenues to secure Subordinated Obligations.

Receipt and Deposit of Intermediate Lien Pledged Revenues – Port Revenue Fund

The Board covenants and agrees that all Intermediate Lien Pledged Revenues, when and as received, will be deposited by the Board pursuant to the Act in the Port Revenue Fund in the City Treasury and will be accounted for through the Port Revenue Fund. The Board will notify the City Treasurer of the pledge of, lien on, and interest in Pledged Revenues granted by the Intermediate Lien Master Trust Indenture and will instruct the City Treasurer that all such Pledged Revenues shall be accounted for separate and apart from all other moneys, funds, accounts or other resources of the Board or the City.

Repayment Obligations

If a Credit Provider or Liquidity Provider pays principal on an Intermediate Lien Bond or advances funds to purchase Intermediate Lien Bonds, all or a portion of the Board's Repayment Obligation may be afforded the status of an Intermediate Lien Bond issued under the Intermediate Lien Indenture. The Credit Provider or Liquidity Provider will be deemed to be the Bondholder,

and such Intermediate Lien Bond will be deemed to have been issued as of the date of the applicable Intermediate Lien Bond for which the Credit Facility or Liquidity Facility was originally provided. Interest on the Intermediate Lien Bonds deemed to be held by the Credit Provider or Liquidity Provider shall be deemed to be payable semiannually at the rate of interest applicable to the repayment obligation. Payments of principal of the Intermediate Lien Bonds deemed to be held by the Credit Provider or Liquidity Provider shall be deemed to be payable annually and amortized on a substantially level annual debt service basis over a period of: (i) 25 years or (ii) (a) if shorter, a term extending to the final maturity of the enhanced Intermediate Lien Bonds for which the Credit Facility or Liquidity Facility was provided or and (b) if later, the final maturity of the Repayment Obligation. Any amount that comes due on a Repayment Obligation by its terms, which is in excess of the amount treated as principal of and interest on an Intermediate Lien Bond, shall be a Subordinated Obligation of the Board.

Obligations Under Qualified Swap

The obligation of the Board to make scheduled payments under a Qualified Swap with respect to a Series of Intermediate Lien Bonds shall be on a parity with the obligation of the Board to make payments with respect to such Series of Intermediate Lien Bonds and other Intermediate Lien Bonds under the Intermediate Lien Indenture, except as otherwise provided by a Supplemental Intermediate Lien Indenture or in the following paragraph. Such scheduled payments under a Qualified Swap shall be secured by a pledge of and lien on the Intermediate Lien Pledged Revenues on a parity with the Intermediate Lien Bonds of such Series and all other Intermediate Lien Bonds, regardless of the principal amount, if any, of the Intermediate Lien Bonds of such Series remaining Outstanding.

Notwithstanding any statements to the contrary, in the event that a Swap Termination Payment or any amounts other than as described in the preceding paragraph are due and payable by the Board under a Qualified Swap, such Swap Termination Payment and any such other amounts shall constitute a Subordinated Obligation under the Intermediate Lien Indenture unless otherwise provided by a Supplemental Intermediate Lien Indenture.

Payment of Principal and Interest

Under the Intermediate Lien Indenture, the Board covenants and agrees that it will duly and punctually pay or cause to be paid from the Intermediate Lien Pledged Revenues the principal of, premium, if any, and interest on every Intermediate Lien Bond, at the place and on the dates and in the manner in the Intermediate Lien Indenture, in the Supplemental Intermediate Lien Indentures and in the Intermediate Lien Bonds specified, and that it will faithfully do and perform all covenants and agreements in the Intermediate Lien Indenture and in the Intermediate Lien Bonds contained, provided that the Board's obligation to make payment of the principal of, premium, if any, and interest on the Intermediate Lien Bonds shall be limited to payment from the Intermediate Lien Pledged Revenues, the funds and accounts pledged therefor in the Intermediate Lien Indenture and any other source which the Board may specifically provide for such purpose and no Bondholder shall have any right to force payment from any other funds of the Board.

Rate Covenant

The Board will, at all times while any of the Intermediate Lien Bonds remain Outstanding, establish, fix, prescribe and collect rates, tolls, fees, rentals and charges in connection with the Port and for services rendered in connection therewith, so that Pledged Revenues in each Fiscal Year will be at least sufficient to pay the following amounts:

(i) any Senior Lien Obligations as the same become due and payable provided that any interest on and principal of any Outstanding Senior Lien Bonds may be reduced by the amount of any security pledged thereto that will be available for debt service payment in addition to the Pledged Revenues during the year as set forth in the applicable supplement to the Senior Lien Indenture;

(ii) any payment obligations under the DBW Loans as the same become due and payable by the Board in such year;

(iii) the principal of and interest on the Outstanding Intermediate Lien Bonds as the same become due and payable by the Board in such year provided that any interest on and principal of any Outstanding Intermediate Lien Bonds may be reduced by the amount of any security pledged thereto that will be available for debt service payment in addition to the Intermediate Lien Pledged Revenues during the year as set forth in the applicable Supplemental Intermediate Lien Indenture;

(iv) all other payments required for compliance with the Intermediate Lien Indenture and any Supplemental Intermediate Lien Indenture including, but not limited to, the required deposits to any Reserve Fund, which may be established;

(v) all other payments necessary to meet ongoing legal obligations to be paid at that time from Pledged Revenues; and

(vi) all current Operation and Maintenance Expenses of the Port.

The Board further agrees that it will establish, fix, prescribe and collect rates, tolls, fees, rentals and charges in connection with the Port and for services rendered in connection therewith, so that during each Fiscal Year the Net Revenues will be equal to at least 110% of the actual debt service becoming due and payable by the Board on Outstanding Intermediate Lien Bonds, Outstanding Senior Lien Bonds and Outstanding DBW Loans in such year less (i) amounts paid from the proceeds of other borrowings, (ii) debt service paid in such year from Capitalized Interest and (iii) the amount of any security pledged to such Intermediate Lien Bonds or to such Senior Lien Bonds that will be available for debt service payment in addition to, as appropriate, the Intermediate Lien Pledged Revenues or the Pledged Revenues during the year as set forth in the applicable Supplemental Intermediate Lien Indenture or the applicable supplement to the Senior Lien Indenture.

Notwithstanding any statements to the contrary, if the Board violates either covenant set forth above, such violation shall not be a default under the Intermediate Lien Indenture and shall not give rise to a declaration of an Event of Default if, within 360 days after the date such violation is discovered, (1) the Board obtains recommendations from a Consultant as to the revision of rates,

tolls, fees, rentals and charges necessary to produce Pledged Revenues or Net Revenues (as applicable) sufficient to cure such violation and (2) the Board revises the rates, tolls, fees, rentals and charges and Operation and Maintenance Expenses insofar as practicable so as to produce Pledged Revenues or Net Revenues (as applicable) to cure such violation.

Requirements for Additional Permitted Prior Lien Obligations

The Board agrees that so long as any Intermediate Lien Bonds are Outstanding, it (i) will not adopt a resolution determining that Intermediate Lien Pledged Revenues be used to pay general obligation bonds of the City and (ii) will not issue any additional bonds or other obligations with a lien on or security granted in Intermediate Lien Pledged Revenues which is senior to the Intermediate Lien Bonds, except for Senior Lien Bonds and DBW Loans.

Further, the Board shall not incur any additional DBW Loans, unless there shall first be delivered to the Trustee either:

(a) a certificate prepared by an Authorized Board Representative showing that the Net Revenues for any 12 consecutive months out of the 24 consecutive months immediately preceding the incurrence of the proposed additional DBW Loan were at least equal to 110% of the Maximum Annual Debt Service for all of the Intermediate Lien Bonds, the Senior Lien Bonds and the DBW Loans that will be Outstanding and all of the Intermediate Lien Bonds and the Senior Lien Bonds that will be Authorized immediately after the incurrence of the proposed additional DBW Loan, or

(b) a certificate prepared by a Consultant approved by at least two (2) Authorized Board Representatives showing that:

(i) for each Fiscal Year during the period from the date of delivery of such certificate until the latest Estimated Completion Date, the Consultant estimates that the Board will be in compliance with the rate covenant of the Intermediate Lien Indenture; and

(ii) the estimated Net Revenues for each of the three (3) Fiscal Years immediately following the last estimated date of substantial completion for the projects to be financed with proceeds of such additional DBW Loan, as certified to the Consultant by an Authorized Board Representative, will be at least equal to 110% of the Maximum Annual Debt Service for all of the Intermediate Lien Bonds, the Senior Lien Bonds and the DBW Loans that will be Outstanding and all of the Intermediate Lien Bonds and the Senior Lien Bonds that will be Authorized after the incurrence of the proposed additional DBW Loan.

Subordinated Obligations

The Board may incur indebtedness which is subordinate to the Intermediate Lien Bonds, which is the Subordinated Obligations. Such indebtedness shall be incurred at such times and upon such terms as the Board shall determine, provided that any lien on or security interest granted in the Intermediate Lien Pledged Revenues or other assets securing the Intermediate Lien Bonds shall be specifically stated to be junior and subordinate to the lien on and security interest in such Intermediate Lien Pledged Revenues and other assets granted to secure the Intermediate Lien Bonds and the Board's obligations under the Intermediate Lien Indenture, and 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 Intermediate Lien Bonds or to replenish the Reserve Funds are then current.

Special Facilities and Special Obligations

The Board may (i) designate a separately identifiable facility as a “Special Facility,” (ii) incur debt primarily for the purpose of acquiring, constructing, renovating or improving or providing financing to a third party to acquire, construct, renovate or improve such facility, (iii) provide that the contractual payments derived from such Special Facility together with other income and revenues available to the Board from such Special Facility be Special Facilities Revenues and not included as Pledged Revenues or Intermediate Lien Pledged Revenues and (iv) provide that the debt so incurred shall be a “Special Obligation” and the principal of and interest and premium, if any, thereon shall be payable solely from the Special Facilities Revenues, The Board may refinance any such Special Obligation with other Special Obligations.

The Special Obligations shall be payable as to principal, redemption premium, if any, and interest solely from Special Facilities Revenues which shall include contractual payments derived by the Board under and pursuant to a contract relating to the Special Facility by and between the Board and another person, firm or corporation, either public or private, as shall undertake the operation of the Special Facility.

No Special Obligations shall be issued by the Board unless a certificate of an Authorized Board Representative has been filed with the Trustee stating that the estimated Special Facilities Revenues of or pledged to the payment of obligations relating to the Special Facility will be at least sufficient to pay the principal of and interest on such Special Obligations when the same become due and payable, all costs of operating and maintaining such Special Facility not paid for by the operator thereof or by a party other than the Board and all sinking fund, reserve or other payments required by the resolution authorizing the Special Obligations as the same become due, the estimated Pledged Revenues and Net Revenues calculated without including the Special Facilities Revenues and without including any operation and maintenance expenses of the Special Facility as Operation & Maintenance Expenses will be sufficient so that the Board will be in compliance with the Intermediate Lien Indenture during each of the five Fiscal Years immediately following such disposition and no Event of Default then exists under the Intermediate Lien Indenture.

To the extent Special Facilities Revenues during any Fiscal Year shall exceed the amounts required to be paid for such Fiscal Year, such excess Special Facilities Revenues shall be deposited into the Port Revenue Fund and shall constitute Intermediate Lien Pledged Revenues to the extent such revenues are available and for purposes consistent with the payment of debt service on the Intermediate Lien Bonds after payment therefrom first of all amounts required to be paid and then due and payable on the Senior Lien Obligation and second of any debt service or requirement then due and payable on any DBW Loans.

At such time as the Special Obligations issued for a Special Facility including Special Obligations issued to refinance Special Obligations are fully paid or otherwise discharged, all revenues of the Board from such facility shall be included as Intermediate Lien Pledged Revenues

to the extent such revenues are available and for purposes consistent with the payment of debt service on the Intermediate Lien Bonds after payment therefrom first on all amounts required to be paid and then due and payable on the Senior Lien Obligation and second of any debt service or requirement then due and payable on any DBW Loans.

Obligations Secured by Other Revenues

The Board may incur indebtedness payable solely from certain Revenues which do not constitute Intermediate Lien Pledged Revenues at such times and upon such terms and conditions as the Board shall determine, provided that such indebtedness shall specifically include a provision that payment of such indebtedness is neither secured by nor payable from Intermediate Lien Pledged Revenues. The Board may also, from time to time, incur indebtedness payable from and secured by both Intermediate Lien Pledged Revenues and certain Revenues which do not constitute Intermediate Lien Pledged Revenues at such times and upon such terms and conditions as the Board shall determine, provided that the conditions set forth in the Intermediate Lien Indenture for the issuance of indebtedness payable from and secured by Intermediate Lien Pledged Revenues are met.

Withdrawals from Port Revenue Fund

To the extent the funds are available in the Port Revenue Fund after making any payment then due under the Senior Lien Indenture and the DBW Loans, the Board, at least one Business Day prior to each Payment Date, shall withdraw from the Port Revenue Fund and pay to the Trustee the full amount required to make the interest and/or principal payments due on such Payment Date.

On any day on which the Trustee receives funds from the Board to be used to pay principal of or interest on Intermediate Lien Bonds, the Trustee shall, if the amount received is fully sufficient to pay all amounts of principal and interest then due or becoming due on the next Payment Date, deposit such amounts into the Debt Service Funds for the Series of Intermediate Lien Bonds for which such payments were made. 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 from Reserve Funds) to pay in full 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 the various Reserve Funds) as follows: first to the payment of interest then due on the Intermediate Lien Bonds and, if the amount available shall not be sufficient to pay in full all interest on the Intermediate Lien 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 Intermediate Lien Bonds and, if the amount available shall not be sufficient to pay in full all principal on the Intermediate Lien Bonds then due, then pro rata among the Series according to the Principal Amount then due on the Intermediate Lien Bonds. Notwithstanding the foregoing, no amount from any moneys which are restricted to purposes inconsistent with the payment of debt service on any Intermediate Lien Bonds shall be used for such deposit and the Trustee shall accordingly adjust any proration as set forth in a written instruction from the Board.

If a Reserve Fund (or a Credit Facility provided in lieu thereof) has been used to make payments on Intermediate Lien Bonds secured thereby, then the Board may be required by Supplemental Intermediate Lien Indenture to replenish such Reserve Fund or Reserve Funds or

reimburse the Credit Provider or Liquidity Provider from Intermediate Lien Pledged Revenues provided that (1) no amount from Intermediate Lien Pledged Revenues may be used for such purpose until all payments of principal or and interest on all Intermediate Lien Bonds which have become due and payable shall have been paid in full, (2) the required payments to replenish any Reserve Fund or reimburse the Credit Provider shall be due in no less than 12 substantially equal monthly installments commencing in the month following any such withdrawal and (3) if the aggregate amount of payments due on any date to replenish the Reserve Fund exceeds the amount available for such purpose; the payments made to the Trustee for such purpose shall be deposited into the Reserve Fund. Notwithstanding the foregoing, no amount from any moneys which are restricted to purposes inconsistent with the payment of debt service on any Intermediate Lien Bonds shall be used for such payment and the Trustee shall accordingly adjust any deposits into any Reserve Fund or Funds as set forth in written instruction from the Board; provided that the Board shall notify the Trustee of such restrictions.

Notwithstanding anything to the contrary, the Board may, by Supplemental Intermediate Lien Indenture, provide for different provisions and timing of deposits with the Trustee and different methods of paying principal of or interest on Intermediate Lien Bonds depending upon the terms of such Intermediate Lien Bonds and may provide for payment through a Credit Facility with reimbursement to the Credit Provider from the Debt Service Fund.

Maintenance and Operation of Port

The Board covenants in the Intermediate Lien Indenture that the Port shall at all times be operated and maintained in good working order and condition and that all lawful orders of any governmental agency or authority having jurisdiction in the premises shall be complied with (provided the Board shall not be required to comply with any such orders so long as the validity or application thereof shall be contested in good faith), and that all licenses and permits necessary to construct or operate any of the Port Facilities shall be obtained and maintained and that all necessary repairs, improvements and replacements of the facilities constituting the Port shall be made, subject to sound business judgment. The Board will, from time to time, duly pay and discharge, or cause to be paid and discharged, except to the extent the imposition or payment thereof is being contested in good faith by the Board, all taxes (if any), assessments or other governmental charges lawfully imposed upon the Port Facilities or upon any part thereof, or upon the Intermediate Lien Pledged Revenues, when the same shall become due, as well as any lawful claim for labor, materials or supplies or other charges which, if unpaid, might by law become a lien or charge upon the Intermediate Lien Pledged Revenues or the Port Facilities or any part thereof constituting the Port.

Insurance; Application of Insurance and Condemnation Proceeds

The Third Supplemental Intermediate Trust Indenture amends the provision relating to insurance and condemnation proceeds. By purchase of any 2017 Intermediate Lien Bonds, the holders of such 2017 Intermediate Lien Bonds shall be deemed to have consented to such amendment. The provision summarized below is the provision as amended.

Subject, in each case, to the condition that insurance is obtainable at reasonable rates and upon reasonable terms and conditions: the Board will procure and maintain or cause to be procured

and maintained insurance with respect to the facilities constituting the Port and public liability insurance, in each case, in such amounts and against such risks as are, in the judgment of the Board, prudent and reasonable taking into account, but not being controlled by, the amounts and types of insurance provided by similar ports; and the Board will place on file with the Trustee annually within 120 days after the close of each Fiscal Year a certificate of an Authorized Board Representative containing a summary of all insurance policies then in effect with respect to the Port and the operations of the Board.

If, as a result of any event, (1) one or more Port Facilities are destroyed or severely damaged and (2) such facilities were financed with the proceeds of any Intermediate Lien Bonds the interest on which is then excluded from gross income for federal income tax purposes, the Net Proceeds received as a result of such event of damage or destruction shall be used as provided in the applicable tax and non-arbitrage certificate or as otherwise advised by Bond Counsel.”

Transfer of Port Facilities

The Third Supplemental Intermediate Trust Indenture amends the provision relating to transfer of Port Facilities. By purchase of any 2017 Intermediate Lien Bonds, the holders of such 2017 Intermediate Lien Bonds shall be deemed to have consented to such amendment. The provision summarized below is the provision as amended.

The Board shall not, except as permitted below, transfer, sell or otherwise dispose of Port Facilities. For purposes described in this section, any transfer of an asset over which the Board retains or regains substantial control shall not, for so long as the Board has such control, be deemed a disposition of Port Facilities. Further, any lease, license, concession or similar arrangement entered into by the Board and granting others the right to use Port Facilities for any period in exchange for fair market value, as evidenced by a certificate of an Authorized Board Representative, shall not be deemed a transfer, sale, or disposition of Port Facilities for purposes described in this section.

The Board may transfer, sell or otherwise dispose of Port Facilities only if such transfer, sale or disposition complies with one or more of the following provisions:

- (a) The property being disposed of is inadequate, obsolete or worn out; or
- (b) The property proposed to be disposed of and all other Port Facilities disposed of in related transactions during the 12-month period ending on the day of such transfer (but excluding property disposed of under (a) above), will not, in the aggregate, constitute a Significant Portion of the Port determined as described below and the proceeds thereof are deposited into the Port Revenue Fund to be used as described below; or
- (c) The Board receives fair market value for the property, as evidenced by a certificate of an Authorized Board Representative, the proceeds thereof are deposited into the Port Revenue Fund to be used for any lawful purpose and, prior to the disposition of such property, there is delivered to the Trustee a certificate of a Consultant approved by an Authorized Board Representative to the effect that notwithstanding such disposition, but taking into account the use of such proceeds in accordance with the expectations of the Board as evidenced by a certificate of an Authorized Board Representative, the Consultant estimates that the Board will be in compliance

with the rate covenant of the Intermediate Lien Indenture during each of the five Fiscal Years immediately following such disposition.

Term “Significant Portion” of the Port Facilities means Port Facilities which, if such facilities had been disposed of by the Board at the beginning of the Fiscal Year which includes the month of commencement of the 12 month period referred to in (b) above would have resulted in a reduction in Pledged Revenues for such Fiscal Year of more than 10% when the actual Pledged Revenues for such Fiscal Year are decreased by the Pledged Revenues directly attributable to such Port Facilities.

Port Facilities which were financed with the proceeds of any Intermediate Lien Bonds the interest on which is then excluded from gross income for federal income tax purposes shall not be disposed of, except under the terms of provision (a) above, unless the Board has first received an opinion of Bond Counsel to the effect that such disposition will not cause the interest on such Intermediate Lien Bonds to become includable in gross income for federal income tax purposes and the proceeds of such disposition shall be used as provided in the applicable tax and non-arbitrage certificate or as otherwise advised by Bond Counsel. This paragraph shall be applied without regard to the second sentence of this Section.

No such disposition shall be permitted which would cause the Board to be in default of any other covenant contained in this Intermediate Lien Indenture.

Eminent Domain

If (1) one or more Port Facilities that produce any Intermediate Lien Pledged Revenues are taken by eminent domain proceedings or conveyance in lieu thereof, and (2) such facilities were financed with the proceeds of any Intermediate Lien Bonds the interest on which is then excluded from gross income for federal income tax purposes, the Net Proceeds received as a result of such eminent domain proceedings or conveyance in lieu thereof shall be used as provided in the applicable tax and non-arbitrage certificate or as otherwise advised by Bond Counsel.

Investments

Moneys held by the Trustee in the funds and accounts created under any Supplemental Intermediate Lien Indenture shall be invested and reinvested as directed by the Board in Permitted Investments subject to the restrictions set forth in such Supplemental Intermediate Lien Indenture and subject to the investment restrictions imposed upon the Board by laws of the State. Earnings on the various funds and accounts created under a Supplemental Intermediate Lien Indenture shall be deposited into the Port Revenue Fund, 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 Intermediate Lien Indentures, (ii) earnings on the Construction Funds may, if so provided by Supplemental Intermediate Lien Indenture, be retained in such Construction Fund, and (iii) earnings on Reserve Funds may be retained in such funds or transferred to one or more different funds or accounts as provided in the applicable Supplemental Intermediate Lien Indenture.

The Trustee may make any investments under the Intermediate Lien Indenture through its own investment department or those of its parent or its affiliates. The Trustee or any of its affiliates

may act as sponsor, advisor or manager in connection with any investments made by the Trustee under the Intermediate Lien Indenture. The Trustee shall not be liable for any loss from any investment made by the Trustee in accordance with the provisions of the Intermediate Lien Indenture.

Defeasance

The Intermediate Lien Bonds or portions thereof 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 the Intermediate Lien Indenture except for the purposes of payment from moneys or Government Obligations held by the Trustee or a Paying Agent for such purpose. When all Intermediate Lien Bonds have been paid in full or are deemed to have been paid in full, and all other sums payable under the Intermediate Lien Indenture by the Board, 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 the Intermediate Lien Pledged Revenues and the other assets pledged to secure such Intermediate Lien Bonds shall thereupon cease, terminate and become void, and thereupon the Trustee shall cancel, discharge and release the Intermediate Lien Indenture.

An Intermediate Lien Bond shall be deemed to be paid 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 such Intermediate Lien Bond and the Intermediate Lien Indenture or (b) shall have been provided for by irrevocably depositing with the Trustee in trust and irrevocably 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; provided, however, that no deposit under clause (b) shall be deemed a payment of such Intermediate Lien Bonds (x) until proper notice of redemption of such Intermediate Lien Bond shall have been given or, in the event, under the terms of such Supplemental Intermediate Lien Indenture, the date for giving such notice of redemption has not yet arrived, until the Board shall have given the Trustee irrevocable instructions to give such notice of redemption when appropriate and to notify all holders of the affected Intermediate Lien Bond that the deposit required by (b) above has been made with the Trustee and that such Intermediate Lien Bond is deemed to have been paid and stating the maturity or redemption date upon which moneys are to be available for the payment of the principal of and the applicable redemption premium, if any, on such Intermediate Lien Bond or (y) the maturity of such Intermediate Lien Bonds.

Events of Default and Remedies

Events of Default. Each of the following events is defined in the Intermediate Lien Indenture to constitute an “Event of Default”:

(a) a failure to pay the principal of or premium, if any, on any of the Intermediate Lien 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 Intermediate Lien Bonds when such interest shall become due and payable;

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

(d) a failure by the Board to observe and perform any covenant, condition, agreement or provision (other than as specified in paragraphs (a), (b) and (c) above) contained in the Intermediate Lien Bonds or in the Intermediate Lien Indenture on the part of the Board to be observed or performed, which failure shall continue for a period of 180 days after written notice, specifying such failure and requesting that it be remedied, shall have been given to the Board by the Trustee as provided in the Intermediate Lien Indenture, unless an extension of such period prior to its expiration has been granted; provided, however, that the Trustee or the Trustee and the holders of such principal amount of Intermediate Lien Bonds shall be deemed to have agreed to an extension of such period if corrective action is initiated by the Board within such period and is being diligently pursued;

(e) the occurrence of certain bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings instituted by or against the Board;

(f) the occurrence of any other Event of Default as is provided in a Supplemental Intermediate Lien Indenture.

No Right to Acceleration; Remedies. The Intermediate Lien Bonds are not subject to acceleration upon the occurrence of any Event of Default.

Upon the occurrence of any Event of Default and continuance of an 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 applicable Intermediate Lien Bonds then Outstanding and receipt of indemnity to its satisfaction, shall:

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

(ii) bring suit upon the applicable Intermediate Lien Bonds;

(iii) commence an action or suit in equity to require the Board 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.

Bondholders' Right to Direct Proceedings: Holders of a majority in Principal Amount of the applicable Intermediate Lien 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 the Intermediate Lien Indenture to be taken in connection with the enforcement of the terms of the Intermediate Lien

Indenture or exercising any trust or power conferred on the Trustee by the Intermediate Lien Indenture; provided that such direction shall not be otherwise than in accordance with the provisions of the law and the Intermediate Lien Indenture 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.

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 under the Intermediate Lien Indenture, or any other remedy under the Intermediate Lien Indenture or on such Intermediate Lien Bonds, unless each of the following conditions has been satisfied: (a) such Bondholder or Bondholders shall have previously given to the Trustee written notice of an Event of Default, (b) holders of 25% or more of the Principal Amount of the Intermediate Lien Bonds then Outstanding shall have made written request of the Trustee so to do, after the right to institute such suit, action or proceeding 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 (c) there 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. All suits, actions and proceedings at law or in equity shall be instituted, had and maintained in the manner provided in the Intermediate Lien Indenture and for the equal benefit of all Bondholders.

The Trustee

Standard of Care. 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.

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) the Trustee shall not be liable for any error of judgment made in good faith by an officer unless the Trustee was negligent in ascertaining the pertinent facts; and (2) 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 Board in the manner provided in the Intermediate Lien Indenture.

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 such notice has been given to the Board with respect to such events for which notice is required before such events become Events of Default, then the Trustee shall promptly, after obtaining actual notice of such Event of Default or event described in (ii) give notice thereof to each Bondholder. Except in the case of a default in payment or purchase of any Intermediate Lien Bond, the Trustee may withhold the notice if and so long as a committee of its officers in good faith determines that withholding such notice is in the interest of the Bondholders.

Bondholders' Indemnity of Trustee. The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by the Intermediate Lien Indenture at the request or direction of any of the holders of the Intermediate Lien Bonds, unless such holders shall have offered to the

Trustee reasonable security or indemnity against the costs, expenses and liabilities which may be incurred by the Trustee in compliance with such request on direction.

Eligibility of Trustee. The Intermediate Lien Indenture 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 of California, 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.

Replacement; Successor. The Trustee may resign by notifying the Board in writing at least 180 days (or earlier with the Board's consent and the appointment of a successor Trustee) prior to the proposed effective date of the resignation. The holders of a majority in Principal Amount of the applicable Intermediate Lien Bonds may remove the Trustee by notifying the removed Trustee and may appoint a successor Trustee, in each case, with the Board's consent. The Board may remove the Trustee, by written notice delivered to the Trustee 180 days prior to the proposed removal date; provided, however, that the Board 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 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 Board. Immediately thereafter, the retiring Trustee, in each case, shall transfer all property held by it as Trustee to the successor Trustee, the resignation or removal of the retiring Trustee shall have all the rights, powers and duties of the Trustee under the Intermediate Lien Indenture.

If the Trustee resigns or is removed or for any reason is unable or unwilling to perform its duties under the Intermediate Lien Indenture, the Board shall promptly appoint a successor Trustee. If a Trustee is not performing its duties under the Intermediate Lien Indenture and a successor Trustee does not take office within 180 days after the retiring Trustee delivers notice of resignation or the Board delivers notice of removal, the retiring Trustee, the Board or the holders of a majority in Principal Amount of the applicable Intermediate Lien Bonds may petition any court of competent jurisdiction for the appointment of a successor Trustee.

If the Trustee consolidates with, mergers 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 the Intermediate Lien Indenture, the resulting, surviving or transferee corporation shall be the successor Trustee upon written notice to the Board.

Accounting Records and Reports of the Trustee. 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 relating to the proceeds of the Intermediate Lien Bonds and all funds and accounts established pursuant to the Intermediate Lien Indenture. Such records shall be available for inspection by the Board on each Business Day during reasonable hours and under reasonable circumstances. The Trustee shall annually, within a reasonable period after the end of the Fiscal

Year, furnish to the Board and to each Bondholder who shall have filed his name and address with the Trustee for such purpose (at such Bondholder's cost) a financial statement (which need not be audited) covering receipts, disbursements, allocation and application of Intermediate Lien Bond proceeds, Intermediate Lien Pledged Revenues and any other moneys in any of the funds and accounts established pursuant to the Intermediate Lien Indenture or any Supplemental Intermediate Lien Indenture for the preceding year.

Amendments

Amendments Without Consent of Bondholders. The Board may, from time to time and at any time, without the consent of or notice to the Bondholders, execute and deliver Supplemental Intermediate Lien Indentures supplementing and/or amending the Intermediate Lien Indenture or any Supplemental Intermediate Lien Indenture as follows:

(a) to provide for the issuance of a Series or multiple Series of Intermediate Lien Bonds and to set forth the terms of such Intermediate Lien Bonds and the special provisions which shall apply to such intermediate Lien Bonds;

(b) to cure any formal defect, omission, inconsistency, or ambiguity in, or answer any questions arising under the Intermediate Lien Indenture or any Supplemental Intermediate Lien Indenture provided such supplement or amendment is not materially adverse to the Bondholders;

(c) to add to the covenants and agreements of the Board in the Intermediate Lien Indenture or any Supplemental Intermediate Lien Indenture other covenants and agreements, or to surrender any right or power reserved or conferred upon the Board, provided such supplement or amendment shall not materially adversely affect the interests of the Bondholders;

(d) to confirm, as further assurance, any interest of the Trustee in and to the Intermediate Lien 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 Board provided pursuant to the Intermediate Lien Indenture or to otherwise add additional security for the Bondholders;

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

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

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

(h) to qualify the Intermediate Lien Bonds or a Series of Intermediate Lien Bonds for a rating or ratings by Moody's, Fitch and/or S&P;

(i) to accommodate the technical, operational and structural features of Intermediate Lien 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 Board deems appropriate to incur;

(j) to accommodate the use of a Credit Facility or Liquidity Facility for specific Intermediate Lien Bonds or a specific Series of Intermediate Lien Bonds;

(k) to comply with the requirements of the Code as are necessary, in the opinion of Bond Counsel, to prevent the federal income taxation of the interest on the Intermediate Lien Bonds, including, without limitation, the segregation of Intermediate Lien Pledged Revenues into different funds;

(l) to modify, alter, amend or supplement the Intermediate Lien Indenture or any Supplemental Intermediate Lien Indenture in any other respect which is not materially adverse to the Bondholders.

Before the Board shall, without Bondholder consent, execute any Supplemental Intermediate Lien Indenture, there shall have been delivered to the Board an opinion or opinions of Bond Counsel to the effect that such Supplemental Intermediate Lien Indenture is authorized or permitted by the Intermediate Lien Indenture, the Act and other applicable law, complies with their respective terms, will, upon the execution and delivery thereof, be valid and binding upon the Board in accordance with its terms and will not cause interest on any of the Intermediate Lien 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.

Amendments With Consent of Bondholders. Except for any amendments described above and any amendments affecting less than all Series of Intermediate Lien Bonds as described in the following paragraph, the holders of not less than 51% in aggregate Principal Amount of the applicable Intermediate Lien Bonds then Outstanding shall have the right from time to time to consent to and approve the execution by the Board of any Supplemental Intermediate Lien Indenture deemed necessary or desirable by the Board for the purposes of modifying, altering, amending, supplementing or rescinding, in any particular, any of the terms or provisions contained in the Intermediate Lien Indenture or in a Supplemental Intermediate Lien Indenture; provided, however, that unless approved in writing by the holders of all such Intermediate Lien Bonds then Outstanding or unless such change affects less than all Series of Intermediate Lien Bonds and the following paragraph 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, interest on or Accreted Value of any Outstanding Intermediate Bonds or (ii) a reduction in the principal amount or redemption price of any Outstanding Intermediate Lien Bonds or the rate of interest thereon; and provided that nothing contained in the Intermediate Lien Indenture, including the paragraph below, shall, unless approved in writing by the holders of all such Intermediate Lien Bonds then Outstanding, permit or be construed as permitting (x) the creation of a lien (except as expressly permitted by the Intermediate Lien Indenture) upon or pledge of the Intermediate Lien Pledged Revenues created by the Intermediate Lien Indenture, ranking prior to or on a parity with the claim created by the Intermediate Lien Indenture, (y) except with respect to additional security which may be provided for a particular Series of Intermediate Lien Bonds, a preference or priority

of any Intermediate Lien Bond or Intermediate Lien Bonds over any other Intermediate Lien Bond or Intermediate Lien Bonds with respect to the security granted therefor, or (z) a reduction in the aggregate Principal Amount of Intermediate Lien Bonds the consent of the Bondholders of which is required for any such Supplemental Intermediate Lien Indenture.

The Board may, from time to time, execute a Supplemental Intermediate Lien Indenture which amends the provisions of an earlier Supplemental Intermediate Lien Indenture under which a Series or multiple Series of Intermediate Lien Bonds were issued. If such Supplemental Intermediate Lien Indenture contains provisions which affect the rights and interests of less than all Series of Intermediate Lien Bonds Outstanding for purposes other than those set forth under “Amendments Without Consent of Bondholders,” then the holders of not less than 51% in aggregate Principal Amount of the applicable Intermediate Lien Bonds of all Series which are affected by such changes shall have the right to consent to any Supplemental Intermediate Lien Indenture deemed necessary or desirable by the Board for the purposes of modifying, altering, amending, supplementing or rescinding any of the terms or provisions contained in such Supplemental Intermediate Lien Indenture and affecting only the Intermediate Lien Bonds of such Series; provided, however, that, unless approved in writing by the holders of all the Intermediate Lien Bonds of all the affected Series then Outstanding, nothing 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 or Accreted Value of any Outstanding Intermediate Lien Bonds of such Series or (ii) a reduction in the principal amount or redemption price of any Outstanding Intermediate Lien Bonds of such Series or the rate of interest thereon.

Rights of Credit Provider

The Intermediate Lien Indenture states that if a Credit Facility is provided for a Series of Intermediate Lien Bonds or for specific Intermediate Lien Bonds, the Board may by Supplemental Intermediate Lien Indenture provide to the Credit Provider (1) the right to make request of, direct or consent to the actions of the Trustee or to otherwise direct proceedings under the Intermediate Lien Indenture to the same extent and in place of the owners of the Intermediate Lien Bonds which are secured by the Credit Facility, (2) the right to act in place of the owners of such Intermediate Lien Bonds which are secured by the Credit Facility for purposes of removing a Trustee or appointing a Trustee, (3) the right to consent to execution and delivery of any Supplemental Intermediate Lien Indenture under the Intermediate Lien Indenture to the same extent and in place of the Bondholders of the Intermediate Lien Bonds that are secured by such Credit Facility and to be deemed to be the Bondholder of such Intermediate Lien Bonds for the said purposes; provided that with respect to any amendment to the Intermediate Lien Indenture or a Supplemental Intermediate Lien Indenture as described in the Intermediate Lien Indenture, the consent of the actual applicable Bondholders shall be required in addition to any consent of Credit Provider that may be required with respect to the applicable Intermediate Lien Bonds.

Additional Intermediate Lien Bonds

Additional Intermediate Lien Bonds may be issued under the Intermediate Lien Indenture on a parity with all other Intermediate Lien Bonds; provided that, among other things, there shall be delivered to the Trustee either:

(a) a certificate prepared by an Authorized Board Representative showing that the Net Revenues for any 12 consecutive months out of the 24 consecutive months preceding the issuance of the proposed Series or Intermediate Lien Bonds of a Program were at least equal to 110% of the Maximum Annual Debt Service for all of the Intermediate Lien Bonds, the Senior Lien Bonds and the DBW Loans that will be Outstanding and all of the Intermediate Lien Bonds and the Senior Lien Bonds that will be Authorized immediately after the issuance of the proposed Series or Implementation of such Program; or

(b) a certificate prepared by a Consultant approved by at least two (2) Authorized Board Representatives showing that:

(i) for each Fiscal Year during the period from the date of delivery of such certificate until the later Estimated Completion Date for the Specified Projects, the Consultant estimates that the Board will be in compliance with its rate covenants; and

(ii) the estimated Net Revenues for each of the three (3) Fiscal Years immediately following the last Estimated Completion Date for the Specified Projects will be at least equal to 110% of the Maximum Annual Debt Service for all of the Intermediate Lien Bonds, the Senior Lien Bonds and the DBW Loans that will be Outstanding and all of the Intermediate Lien Bonds and the Senior Lien Bonds that will be Authorized after the issuance of such proposed Series or Implementation of such Program.

For purposes of subsections (b)(i) and (ii) above, in estimating Net Revenues, the Consultant shall use such assumptions as the Consultant believes reasonable and take into account (1) Revenues from Specified Projects or Port Facilities reasonably expected to become available during the period for which the estimates are provided, (2) any increase or decrease in fees, rates, charges, rentals or other sources of Revenues which have been approved by the Board and will be in effect during the period for which the estimates are provided, and (3) any other increases or decreases in Revenues which the Consultant believes to be a reasonable assumption for such period. With respect to Operating and Maintenance Expenses, the Consultant shall use such assumptions as the Consultant believes to be reasonable, and taking into account, (i) historical Operation and Maintenance Expenses, (ii) Operation and Maintenance Expenses associated with the Specified Projects and any other new Port Facilities and (iii) such other factors, including inflation and changing operations or policies of the Board, as the Consultant believes to be reasonable and appropriate. The Consultant shall include in the certificate or in a separate accompanying report a description of the assumptions used and the calculations made in determining the estimated Pledged Revenues and shall also set forth the calculations of Maximum Annual Debt Service, which calculations may be based upon information provided by another Consultant approved by at least two (2) Authorized Board Representatives.

For purposes of preparing the certificate or certificates described above, the Consultant or Consultants may rely upon financial statements prepared by the Board which have not been subject to audit by an independent certified public accountant if audited financial statements for the Fiscal Year or period are not available; provided, however, that an Authorized Board Representative shall certify as to their accuracy and that such financial statements were prepared substantially in accordance with generally accepted accounting principles, subject to year-end adjustments. Nothing contained in this section shall be construed to prohibit the Board

from providing any actual debt service information or other base data for the Consultant's review and use in preparation of such certificates.

For purposes of this section only, any increase in the maximum Principal Amount available under a Credit Facility entered into with respect to any Intermediate Lien Commercial Paper Program shall be treated as an issuance of Intermediate Lien Bonds subject to the requirements of the Intermediate Lien Indenture.

Neither of the certificates described above shall be required if:

(i) the Intermediate Lien Bonds being issued are for the purpose of refunding then Outstanding Intermediate Lien Bonds, Senior Lien Bonds or DBW Loans and the Trustee receives a certificate of an Authorized Board Representative showing that Maximum Annual Debt Service on all of the Intermediate Lien Bonds, the Senior Lien Bonds and the DBW Loans Outstanding or Authorized after the issuance of the refunding Intermediate Lien Bonds, will not exceed Maximum Annual Debt Service on all of the Intermediate Lien Bonds, the Senior Lien Bonds and the DBW Loans Outstanding or Authorized prior to the issuance of such refunding Intermediate Lien Bonds; or

(ii) the Intermediate Lien Bonds being issued constitute Intermediate Lien Notes and the Trustee receives a certificate prepared by an Authorized Board Representative showing that the principal amount of the proposed Intermediate Lien Notes being issued, together with the principal amount of any Intermediate Lien Notes then Outstanding, does not exceed 10% of the Net Revenues for any 12 consecutive months out of the 24 months immediately preceding the issuance of the proposed Intermediate Lien Notes and the Trustee receives a Certificate of an Authorized Board Representative setting forth calculations showing that for each of the Fiscal Years during which such notes will be outstanding, the Board will be in compliance with its rate covenants under the Intermediate Lien Indenture; or

(iii) the Intermediate Lien Bonds being issued are to pay costs of completing a Project for which Senior Lien Bonds, DBW Loans or Intermediate Lien Bonds have previously been issued or incurred and the principal amount of such Intermediate Lien Bonds being issued for completion purposes does not exceed an amount equal to 15% of such original indebtedness for such Project and reasonably allocable to the Project to be completed as shown in a certificate of an Authorized Board Representative and there is delivered to the Trustee: (a) a Consultant's certificate stating that the nature and purpose of such Project has not materially changed and (b) a certificate of an Authorized Board Representative to the effect that (1) all of the proceeds (including investment earnings thereon) of the original indebtedness incurred to finance such Project has been or will be used to pay Costs of the Project and (2) the then estimated Costs of the Project exceed the sum of the Costs of the Project already paid plus unspent proceeds of original indebtedness previously incurred for such purpose.

THE THIRD SUPPLEMENTAL INTERMEDIATE LIEN TRUST INDENTURE

The following is a brief summary of certain provisions of the Third Supplemental Intermediate Lien Trust Indenture. Such summary is only a brief description of limited provisions of such document and is qualified in its entirety by reference to the full text of the Third Supplemental Intermediate Lien Trust Indenture.

Terms of the Series D Bonds, Series E Bonds, Series F Bonds and Series G Bonds

The Third Supplemental Intermediate Lien Trust Indenture sets forth the terms of the Series D Bonds, Series E Bonds, Series F Bonds and the Series G Bonds, most of which terms are described earlier in the Official Statement under “DESCRIPTION OF THE 2017 INTERMEDIATE LIEN BONDS.”

Establishment of Funds

The Third Supplemental Intermediate Lien Trust Indenture establishes the following funds and accounts:

(a) Port of Oakland 2017 Series D Intermediate Lien Refunding Revenue Bonds Debt Service Fund (the “Series D Debt Service Fund”) and therein an Interest Account (the “Series D Interest Account”), a Principal Account (the “Series D Principal Account”) and a Redemption Account (the “Series D Redemption Account”);

(b) Port of Oakland 2017 Series D Intermediate Lien Refunding Revenue Bonds Costs of Issuance Fund (the “Series D Costs of Issuance Fund”);

(c) Port of Oakland 2017 Series E Intermediate Lien Refunding Revenue Bonds Debt Service Fund (the “Series E Debt Service Fund”) and therein an Interest Account (the “Series E Interest Account”), a Principal Account (the “Series E Principal Account”) and a Redemption Account (the “Series E Redemption Account”);

(d) Port of Oakland 2017 Series E Intermediate Lien Refunding Revenue Bonds Costs of Issuance Fund (the “Series E Costs of Issuance Fund”);

(e) Port of Oakland 2017 Series F Intermediate Lien Refunding Revenue Bonds Debt Service Fund (the “Series F Debt Service Fund”) and therein an Interest Account (the “Series F Interest Account”), a Principal Account (the “Series F Principal Account”) and a Redemption Account (the “Series F Redemption Account”);

(f) Port of Oakland 2017 Series F Intermediate Lien Refunding Revenue Bonds Costs of Issuance Fund (the “Series F Costs of Issuance Fund”);

(g) Port of Oakland 2017 Series G Intermediate Lien Refunding Revenue Bonds Debt Service Fund (the “Series G Debt Service Fund”) and therein an Interest Account (the “Series G Interest Account”), a Principal Account (the “Series G Principal Account”) and a Redemption Account (the “Series G Redemption Account”);

(h) Port of Oakland 2017 Series G Intermediate Lien Refunding Revenue Bonds Costs of Issuance Fund (the “Series G Costs of Issuance Fund”);

(i) Port of Oakland Series 2017 Intermediate Lien Refunding Revenue Bonds Rebate Fund (the “Series 2017 Rebate Fund”).

The proceeds from the sale of the Series D Bonds, the Series E Bonds, the Series F Bonds and the Series G Bonds will be deposited into certain of the funds and accounts as set forth in the Official Statement under “ESTIMATED SOURCES AND USES OF FUNDS.”

Debt Service Funds.

Interest Accounts. The Trustee shall deposit into each Interest Account (i) amounts received from the Board to be used to pay interest on the applicable series of the 2017 Intermediate Lien Bonds (other than any amounts to be deposited into the applicable Redemption Account described below) and, if the Board enters into a Qualified Swap with respect to all or a portion of the applicable series of 2017 Intermediate Lien Bonds, to pay amounts due and payable to the provider of such Qualified Swap at such times as are provided in such Qualified Swap and (ii) if the Board enters into a Qualified Swap with respect to all or a portion of the applicable series of 2017 Intermediate Lien Bonds, any amounts received by the Board from the provider of such Qualified Swap. The Trustee shall also deposit into the Interest Accounts any other amounts deposited with the Trustee for deposit in the Interest Accounts or transferred from other funds and accounts for deposit therein. All amounts held at any time in each Interest Account shall be held on a priority basis for the ratable security and payment of interest due on the applicable series of 2017 Intermediate Lien Bonds in accordance with their terms, and scheduled payments due and payable by the Board under any Qualified Swap entered into by the Board with respect to all or a portion of the applicable series of 2017 Intermediate Lien Bonds (not including any Subordinated Obligation, such as any Swap Termination Payments and any unscheduled payments due and payable under such Qualified Swap) at any time in proportion to the amounts due or accrued with respect to each of them. Earnings on the Interest Accounts shall be withdrawn and paid to the Board for deposit into the Port Revenue Fund, unless an Event of Default exists under the Intermediate Lien Master Trust Indenture, in which event the earnings shall be retained in such account.

Principal Accounts. The Trustee shall deposit into each Principal Account amounts received from the Board to be used to pay principal on the applicable series of the 2017 Intermediate Lien Bonds. The Trustee shall also deposit into each Principal Account any other amounts deposited with the Trustee for deposit into such Principal Account or transferred from other funds and accounts for deposit therein. Earnings on the Principal Accounts shall be withdrawn and paid to the Board for deposit into the Port Revenue Fund, unless an Event of Default exists under the Intermediate Lien Master Trust Indenture, in which event the earnings shall be retained in such account.

Redemption Accounts. The Trustee shall deposit into each Redemption Account amounts received from the Board or from other sources to be used to pay the principal of, interest on and premium, if any, on the applicable series of the 2017 Intermediate Lien Bonds which are to be redeemed in advance of their maturity (except mandatory sinking fund redemptions). Earnings on

the Redemption Accounts shall be retained in such account or paid to the Board for deposit into the Port Revenue Fund in accordance with instructions given to the Trustee by an Authorized Board Representative at the time of such deposit.

The Debt Service Funds shall be invested and reinvested in Permitted Investments as directed by an Authorized Board Representative.

Costs of Issuance Funds. The proceeds of the 2017 Intermediate Lien Bonds shall be deposited in each Costs of Issuance Fund in the amounts provided in the Third Supplemental Intermediate Lien Trust Indenture. The Trustee will make payments or disbursements from each Costs of Issuance Fund upon receipt from the Board of a written requisition executed by an Authorized Board Representative. Moneys held in each Costs of Issuance Fund shall be invested and reinvested as directed by an Authorized Board Representative in Permitted Investments. Earnings on each Costs of Issuance Fund shall be retained in such fund.

Intermediate Lien Common Reserve Fund. The 2007 Intermediate Lien Common Reserve Fund created pursuant to the First Supplement is continued and renamed the “Intermediate Lien Common Reserve Fund.” Moneys held in the Intermediate Lien Common Reserve Fund shall be used for the purpose of paying principal and interest on the 2017 Intermediate Lien Bonds and any other Intermediate Lien Common Reserve Fund Bonds that may be so designated from time to time in accordance with the applicable Supplemental Intermediate Lien Indenture if, on any principal or interest payment date for any Intermediate Lien Common Reserve Fund Bonds (including, without limitation, the 2017 Intermediate Lien Bonds), the amount then held in the applicable Debt Service Fund (including, with respect to the 2017 Intermediate Lien Bonds, amounts in the Series D Debt Service Fund, the Series E Debt Service Fund, the Series F Debt Service Fund and the Series G Debt Service Fund) available therefor is insufficient to pay in full the amount then due on the subject Intermediate Lien Common Reserve Fund Bonds. Upon issuance of any additional Intermediate Lien Common Reserve Fund Bonds, the Board shall deposit such additional amount, if any, of money or one or more Reserve Fund Insurance Policies as may be required to satisfy the then applicable Intermediate Lien Common Reserve Fund Requirement with respect to all Intermediate Lien Common Reserve Fund Bonds that are secured by the Intermediate Lien Common Reserve Fund. The Intermediate Lien Common Reserve Fund shall secure the Intermediate Lien Common Reserve Fund Bonds without preference, priority or distinction as to any Intermediate Lien Common Reserve Fund Bond over any other Intermediate Lien Common Reserve Fund or Intermediate Lien Common Reserve Fund Bonds, except as to the timing of payment of the Intermediate Lien Common Reserve Fund Bonds. Moneys held in the Intermediate Lien Common Reserve Fund may also be used, at the written direction of the Board, to make any deposit required to be made to the Rebate Fund created for the 2017 Intermediate Lien Bonds or for any other Intermediate Lien Common Reserve Fund Bonds if the Board does not have other funds available from which such deposit can be made. The Trustee shall annually, on or about July 1 of each year, commencing July 1, 2018 and at such other times as the Board or the Surety Bond Provider (or any municipal bond insurer of the other Intermediate Lien Common Reserve Fund Bonds, as applicable) shall deem appropriate, value the Intermediate Lien Common Reserve Fund on the basis of the market value thereof. For purposes of determining the amount on deposit in the Intermediate Lien Common Reserve Fund, any Reserve Fund Insurance Policies or guaranteed investment contracts held by, or the benefit of which is available to, the Trustee as security for the Intermediate Lien Common Reserve Fund Bonds shall be deemed to be a deposit

in the face amount of the policy or the stated amount or par value of the credit facility or the guaranteed investment contract provided, except that, if the amount available under a Reserve Fund Insurance Policy (or Reserve Fund Insurance Policies) or the guaranteed investment contract (or guaranteed investment contracts) has been reduced in accordance with its terms and such amount has not been reinstated nor another Reserve Fund Insurance Policy (or Reserve Fund Insurance Policies) or guaranteed investment contract (or guaranteed investment contracts) provided, then in valuing the Intermediate Lien Common Reserve Fund, the value of such Reserve Fund Insurance Policy or guaranteed investment contract shall be reduced accordingly. Upon each such valuation, the Trustee shall prepare a written certificate setting forth the Intermediate Lien Common Reserve Fund Requirement as of such valuation date and the value of the Intermediate Lien Common Reserve Fund and deliver a copy thereof to the Chief Financial Officer. If, upon any valuation, the value of the Intermediate Lien Common Reserve Fund exceeds the Intermediate Lien Common Reserve Fund Requirement, the excess amount shall be withdrawn and paid to the Board for deposit into the Port Revenue Fund; provided that no Event of Default then exists under the Intermediate Lien Master Trust Indenture or any Supplemental Intermediate Lien Indenture (including the Third Supplemental Indenture). If the value is less than the Intermediate Lien Common Reserve Fund Requirement, the Board shall replenish such amounts within 12 months from available Intermediate Lien Pledged Revenues after payment of principal of and interest due on any Intermediate Lien Bonds in accordance with the Intermediate Lien Master Trust Indenture.

Provided the Intermediate Lien Common Reserve Fund Requirement has been satisfied by both cash or securities and one or more Reserve Fund Insurance Policies, any payment of principal or interest on any Intermediate Lien Common Reserve Fund Bonds from the Intermediate Lien Common Reserve Fund shall first be made from any cash or securities then deposited in the Intermediate Lien Common Reserve Fund and only in the event no cash or securities remain in the Intermediate Lien Common Reserve Fund shall the Trustee be allowed to make a draw under such Reserve Fund Insurance Policies. Additionally, in the event that two or more Reserve Fund Insurance Policies have been entered into for the Intermediate Lien Common Reserve Fund, any payment of interest or principal to be made pursuant to the any of the Reserve Fund Insurance Policies shall be made on a pro rata basis proportionate to the face amount (or stated amount or par value) of such Reserve Fund Insurance Policies less amounts previously drawn thereunder and not reimbursed.

At such time as all Intermediate Lien Common Reserve Fund Bonds are paid in full or are deemed to be paid in full, the amount in the Intermediate Lien Common Reserve Fund may be used to pay the final installments of principal and interest on any Intermediate Lien Common Reserve Fund Bond and otherwise may be withdrawn and transferred to the Board to be used for any lawful purpose, provided that, if such amounts are used for a purpose other than payment of Intermediate Lien Common Reserve Fund Bonds, there shall be delivered to the Trustee with the request for such funds an Opinion of Tax 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 Act and that such use shall not adversely affect the exclusion of interest on any Intermediate Lien Common Reserve Fund Bond from gross income of the recipient thereof for federal income tax purposes.

One or more Reserve Fund Insurance Policies shall be acceptable in lieu of, or in substitution for, a deposit of cash or securities into the Intermediate Lien Common Reserve Fund created hereunder only if at the time of such deposit or substitution (i) such Reserve Fund Insurance

Policy or Policies extend to the maturity of the Intermediate Lien Common Reserve Fund Bond with the latest maturity date or (ii) the Board agrees to replace such Reserve Fund Insurance Policy or Policies prior to their expiration with another Reserve Fund Insurance Policy or Policies or with cash.

Upon expiration or termination of any Reserve Fund Insurance Policy prior to the payment in full or deemed payment in full of all Intermediate Lien Common Reserve Fund Bonds, if the value of the Intermediate Lien Common Reserve Fund is less than the Intermediate Lien Common Reserve Fund Requirement, then the Board shall either provide one or more substitute Reserve Fund Insurance Policies that extend to the maturity of the Intermediate Lien Common Reserve Fund Bond with the latest maturity date (or to an earlier date if the Board makes the commitment described in the preceding paragraph) or shall provide cash, in either case in an amount sufficient to increase the value of the Intermediate Lien Common Reserve Fund to the Intermediate Lien Common Reserve Fund Requirement following such expiration or termination.

If moneys have been withdrawn from the Intermediate Lien Common Reserve Fund or a payment has been made under one or more Reserve Fund Insurance Policies constituting all or a portion of the Intermediate Lien Common Reserve Fund, and deposited into one or more Debt Service Funds for Intermediate Lien Common Reserve Fund Bonds (including, without limitation, the Series D Debt Service Fund, the Series E Debt Service Fund, the Series F Debt Service Fund or the Series G Debt Service Fund, as applicable) to prevent a default on the applicable Intermediate Lien Common Reserve Fund Bonds, then the Board will pay to the Trustee, from Intermediate Lien Pledged Revenues, but only as provided in the Intermediate Lien Master Trust Indenture the full amount so withdrawn, together with interest, if any, required under the terms of such Reserve Fund Insurance Policies, or so much as shall be required to restore the Intermediate Lien Common Reserve Fund to the Intermediate Lien Common Reserve Fund 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 one or more Reserve Fund Insurance Policies, the Trustee shall pay to the provider or providers of such Reserve Fund Insurance Policy or Policies (on a pro rata basis proportionate to the amount drawn under each such Reserve Fund Insurance Policy and not previously reimbursed), the amount received by the Trustee from the Board which is designated to be used to reimburse the provider(s) of such Reserve Fund Insurance Policy or Policies. The Trustee shall immediately notify the Paying Agent of such reimbursement, and the amount available to be drawn under the Reserve Fund Insurance Policy or Policies shall increase by the amount of such reimbursement. Repayments owed to the provider or providers of a Reserve Fund Insurance Policy or Policies shall be paid prior to funding the unfunded cash portion of the Intermediate Lien Common Reserve Fund Requirement; provided, however, that the Board's obligation to fund the Intermediate Lien Common Reserve Fund shall be on the same priority as the Board's obligation to fund reserve funds for its other Intermediate Lien Bonds. Amounts provided by the Board to the Trustee to fund the Board's reserve fund obligations for its Intermediate Lien Bonds must be distributed between the Intermediate Lien Common Reserve Fund and the reserve fund(s) for any other Intermediate Lien Bonds on a pro rata basis proportionate to the deficiencies in such reserve funds without regard to the existence of a cash funded debt service reserve or a reserve fund insurance policy.

Moneys in the Intermediate Lien Common Reserve Fund shall be invested and reinvested by the Trustee at the direction of an Authorized Board Representative in Permitted Investments having a term to maturity of not greater than five years or payable on demand at any time a draw on the Intermediate Lien Common Reserve Fund is required under the Intermediate Lien Master Trust Indenture.

Earnings on the Intermediate Lien Common Reserve Fund shall be paid by the Trustee to the Board for deposit into the Port Revenue Fund, unless (A) an amount has been withdrawn from the Intermediate Lien Common Reserve Fund as a result of a deficiency in the interest account or principal account of the Debt Service Fund of a Intermediate Lien Common Reserve Fund Bond (including any such accounts relating to the 2017 Intermediate Lien Bonds) and such withdrawal has not been repaid or, as of the most recent valuation of the Intermediate Lien Common Reserve Fund, the amount therein was valued at less than the Intermediate Lien Common Reserve Fund Requirement and the deficiency has not yet been restored, in either of which events the earnings shall be retained in the Intermediate Lien Common Reserve Fund until the deficiency therein has been eliminated or (B) an Event of Default then exists under the Intermediate Lien Master Trust Indenture or any applicable Supplemental Intermediate Lien Indenture (including the Third Supplemental Indenture), in which event the earnings shall be paid on a pro rata basis proportionate to the amount of interest becoming due and payable on the Intermediate Lien Common Reserve Fund Bonds on their next interest payment date(s) to the interest accounts of the Debt Service Funds for the Intermediate Lien Common Reserve Fund Bonds (including the 2017 Intermediate Lien Bonds).

Rebate Fund

The Board agreed in the Third Supplemental Intermediate Lien Trust Indenture to enter into the Tax Agreement and to create a Series 2017 Rebate Fund for the 2017 Intermediate Lien Bonds as required by the Tax Agreement. The Series 2017 Rebate Fund will be established for the purpose of complying with certain provisions of the Code which require that the Board pay to the United States of America the excess, if any, of the amounts earned on certain funds held by the Trustee with respect to the 2017 Intermediate Lien Bonds over the amounts which would have been earned on such funds if such funds earned interest at a rate equal to the yield on the 2017 Intermediate Lien Bonds. Such excess is to be deposited into the Series 2017 Rebate Fund and periodically paid to the United States of America. The Series 2017 Rebate Fund while held by the Trustee is held in trust for the benefit of the United States of America and is neither pledged as security for nor available to make payment on the 2017 Intermediate Lien Bonds.

Amendments to the Intermediate Lien Master Trust Indenture

The Third Supplemental Intermediate Lien Indenture amends certain provisions of the Intermediate Lien Master Trust Indenture. The provisions summarized under the captions “THE INTERMEDIATE LIEN MASTER TRUST INDENTURE – Insurance; Application of Insurance and Condemnation Proceeds” and “– Transfer of Port Facilities” describe the provisions as amended.

APPENDIX B-2

SUMMARY OF THE SENIOR LIEN MASTER TRUST INDENTURE

DEFINITIONS

The following are definitions of certain terms used in this Official Statement including the summaries of the Senior Lien Master Trust Indenture.

“Accreted Value” means (i) with respect to any Capital Appreciation Bonds, as of any date of calculation, the sum of the amount set forth in a Supplemental Indenture 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 Indenture authorizing the issuance of such Bond.

“Act” means Article VII of the Charter, as amended from time to time, or any other article or section of the Charter in which the provisions relating to the Board and the Port Department may be set forth.

“Authorized” means, with respect to any Program which has been Implemented and not terminated, the Authorized Amount less the amounts which are Outstanding at the time of calculation.

“Authorized Amount” means, when used with respect to a Program, the maximum Principal Amount of Bonds which is then authorized by the Board to be Outstanding at any one time under the terms of such Program.

“Authorized Board Representative” means the Executive Director, Chief Financial Officer or Deputy Executive Director of the Board or such other officer or employee of the Board or other person which other officer, employee or person has been designated by the Board as an Authorized Board Representative by written notice delivered by the Executive Director, the Chief Financial Officer or Deputy Executive Director to the Trustee.

“Balloon Indebtedness” means, with respect to any Series of Bonds twenty-five percent (25%) or more of the principal of which matures on the same date or within a Fiscal Year, that portion of such Series which matures on such date or within such Fiscal Year; provided, however, that to constitute Balloon Indebtedness the amount of Bonds of a Series maturing on a single date or within a Fiscal Year must equal or exceed 150% of the amount of such Series which matures during any preceding Fiscal Year. For purposes of this definition, the principal amount maturing on any date shall be reduced by the amount of such Bonds, scheduled to be amortized by prepayment or redemption prior to their stated maturity date. A Commercial Paper Program and the Commercial Paper constituting part of such program shall not be Balloon Indebtedness.

“Board” means the Board of Port Commissioners of the City of Oakland, California, and any successor to its function.

“Bond” or “Bonds” or “Senior Lien Bonds” means any debt obligation of the Board issued under and in accordance with the provisions of the Indenture, including, but not limited to bonds, notes, bond anticipation notes, commercial paper and other instruments creating an indebtedness of the Board, and obligations incurred through lease or installment purchase agreements or other agreements or certificates of participation therein and Repayment Obligations to the extent provided in the Indenture. In connection with Bonds of a Series with respect to which a Qualified Swap is in effect or proposed to be in effect, the term “Bonds” includes, collectively, both such Bonds and either such Qualified Swap or the obligations of the Board under such Qualified Swap, as the context requires, but the Qualified Swap Provider shall not be considered to be an owner of Bonds for purposes of receiving notices, granting consents or approvals, or directing or controlling any actions, restrictions, rights, remedies or waivers under the Indenture, except as expressly provided in the Indenture.

“Bond Counsel” means 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 the Indenture and which are acceptable to the Board.

“Bondholder,” “holder,” “owner” or “registered owner” means the person in whose name any Bond or Bonds are registered on the books maintained by the Registrar and includes 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 the Indenture.

“Business Day” means a day on which banks located in New York, New York, in California and in the City in which the principal corporate trust office of the Trustee is located are open.

“Capital Appreciation Bonds” means 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.

“Capitalized Interest” means the amount, if any, of the proceeds received upon issuance of Bonds, which is used to pay interest on the Bonds.

“Code” means the Internal Revenue Code of 1986, as amended, and the applicable United States Treasury Regulations proposed or in effect with respect thereto.

“Commercial Paper” means notes of the Board with a maturity of not more than 270 days from the date of issuance and which are issued and reissued from time to time pursuant to a Program adopted by the Board.

“Commercial Paper Program” means a Program authorized by the Board pursuant to which Commercial Paper shall be issued and reissued from time to time, up to the Authorized Amount of such Program.

“Construction Fund” means any of the Construction Funds authorized to be created as described in the Senior Lien Master Trust Indenture.

“Consultant” means any independent consultant, consulting firm, engineer, architect, engineering firm, architectural firm, accountant or accounting firm or other expert recognized to be well-qualified for work of the character required and retained by the Board to perform acts and carry out the duties provided for such consultant in the Indenture.

“Costs” or “Costs of the Project” means all costs of planning, developing, financing, constructing, installing, equipping, furnishing, improving, acquiring, enlarging and/or renovating a Project and placing the same in service and shall include, but not be limited to (1) costs of real or personal property, rights, franchises, easements and other interests in property, real or personal, and the cost of demolishing or removing structures and site preparation, infrastructure development, and landscaping and acquisition of land to which structures may be removed; (2) the costs of materials and supplies, machinery, equipment, vehicles, rolling stock, furnishings, improvements and enhancements; (3) labor and related costs and the costs of services provided, including costs of consultants, advisors, architects, engineers, accountants, planners, attorneys, financial and feasibility consultants, in each case, whether in-house or Independent, (4) costs of the Board properly allocated to a Project 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; (5) financing expenses, including costs related to issuance of and securing of Bonds, costs of Credit Facilities, Capitalized Interest, debt service reserve funds, trustee’s fees and expenses; (6) any Swap Termination Payments due in connection with a Series of Bonds, 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 Board..

“Credit Facility” means a policy of municipal bond insurance, a letter of credit, surety bond, line of credit, guarantee, standby purchase agreement 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 specified Bonds or a Series of Bonds whether such obligation is to pay in the first instance and seek reimbursement or to pay only if the Board fails to do so and such term includes any such instrument which is used to fund a Reserve Fund or provide security in lieu of a Reserve Fund.

“Credit Provider” means the party obligated to make payment on the Bonds under a Credit Facility.

“Customer Facility Charge” shall mean a customer facility charge authorized to be imposed by the Port in accordance with §1936 of the California Civil Code.

“Estimated Completion Date” means the estimated date upon which a Specified Project will have been substantially completed in accordance with the plans and specifications applicable thereto or the estimated date upon which a Specified Project is expected to have been acquired and payment therefor made, in each case, as that date shall be set forth in a certificate of an Authorized

Board Representative delivered to the Trustee at or prior to the time of issuance of the Bonds which are to finance such Project.

“Event of Default” shall mean any occurrence or event described in this Appendix B-2 under “THE SENIOR LIEN MASTER TRUST INDENTURE—Events of Default and Remedies.”

“Fiscal Year” means 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 Board designates as its fiscal year.

“Government Obligations” means (1) United States Obligations (including obligations issued or held in book-entry form) and (2) prerefunded municipal obligations meeting certain conditions, including the following: (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; (b) the municipal obligations are secured by cash and/or United States 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; and (f) the municipal obligations are rated in their highest rating category by Moody’s and by S&P if S&P then maintains a rating on such obligations.

“Implemented” means, when used with respect to a Program, a Program which has been authorized and the terms thereof approved by a resolution adopted by the Board, and the conditions to issuance, as set forth in the Indenture, have been met.

“Indenture” or “Senior Lien Master Trust Indenture” means the Amended and Restated Master Trust Indenture, dated as of April 1, 2006, between the Board and the Trustee as amended and supplemented, as the same has been and may be amended and supplemented in accordance therewith.

“Investment Agreement” means 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 to be secured thereby and maintains a rating on such debt and/or by Moody’s if Moody’s then maintains a rating on any of the Bonds to be secured thereby and maintains a rating on such debt 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 (A) 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, (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” means a letter of credit, line of credit, standby purchase agreement or other financial instrument which is available to provide funds with which to purchase Bonds.

“Liquidity Provider” means the entity which is obligated to provide funds to purchase Bonds under the terms of a Liquidity Facility.

“Maximum Annual Debt Service” means, at any point in time, with respect to all Bonds which are then Outstanding and all Bonds which are then Authorized, the maximum amount of principal and interest becoming due in the then current or any future Fiscal Year, calculated by using the following assumptions:

(i) in determining the principal due in each year, payment shall (unless a different subsection of this definition applies for purposes of determining principal maturities or amortization) be assumed to be made on Bonds in accordance with any amortization schedule established by the governing documents setting forth the terms of such Bonds, including, as a principal payment, the Accreted Value of any Capital Appreciation Bonds or Original Issue Discount Bonds maturing or scheduled for redemption in such year; in determining the interest due in each year, interest payable at a fixed rate shall (except to the extent subsection (ii), (iii) or (iv) of this definition applies) be assumed to be made at such fixed rate and on the required payment dates;

(ii) if all or any portion or portions of an Outstanding Series of Bonds constitute Balloon Indebtedness, or if all or any portion or portions of a Series of Bonds then proposed to be issued would constitute Balloon Indebtedness (excluding Bonds which are part of a Program and to which subsection (viii) applies), then, for purposes of determining Maximum Annual Debt Service, each maturity which constitutes Balloon Indebtedness shall, unless provision (iii) below then applies to such maturity, be treated as if it were to be amortized over a term of 25 years commencing in the year the stated maturity of such Balloon Indebtedness occurs and with substantially level annual debt service payments; the interest rate used for such computation shall be that rate determined by a Consultant to be a reasonable market rate for 25-year fixed-rate Bonds issued under the Indenture on the date of such calculation with no credit enhancement and taking into consideration whether such Bonds bear interest which is or is not excluded from gross income for federal income tax purposes; with respect to any Series of Bonds only a portion of which constitutes Balloon Indebtedness, the remaining portion shall be treated as described in (i) above or such other provision of this definition as shall be applicable and, with respect to any Series or that portion of a Series which constitutes Balloon Indebtedness, all payments of principal and interest becoming due prior to the year of the stated maturity of the Balloon Indebtedness shall be treated as described in (i) above or such other provision of this definition as shall be applicable.

(iii) any maturity which constitutes Balloon Indebtedness as described in provision (ii) above and for which the stated maturity date occurs within 12 months from the date such calculation is made, shall be assumed to become due and payable on the stated maturity date and provision (ii) above shall not apply thereto unless there is delivered to the entity making the calculation a certificate of an Authorized Board Representative stating that the Board intends to refinance such maturity and stating the probable terms of

such refinancing and that the debt capacity of the Board is sufficient to successfully complete such refinancing; upon the receipt of such certificate, such Balloon Indebtedness shall be assumed to be refinanced in accordance with the probable terms set out in such certificate and such terms shall be used for purposes of calculating Maximum Annual Debt Service, provided that such assumption shall not result in an amortization period longer than or an interest rate lower than that which would be assumed under provision (ii) above;

(iv) if any of the Outstanding Series of Bonds constitute Tender Indebtedness or if Bonds then proposed to be issued would constitute Tender Indebtedness (excluding Bonds which are part of a Program or which a Qualified Swap is in effect and to which subsection (viii), (ix), (xi), or (xii) applies), then, for purposes of determining Maximum Annual Debt Service, Tender Indebtedness shall be treated as if the principal amount of such Bonds were to be amortized over a term of 25 years commencing in the year in which such Series is first subject to tender and with substantially level annual debt service payments; the interest rate used for such computation shall be that rate determined by a Consultant to be a reasonable market rate for 25-year fixed-rate Bonds issued under the Indenture on the date of such calculation, with no credit enhancement and taking into consideration whether such Bonds bear interest which is or is not excluded from gross income for federal income tax purposes; with respect to all principal and interest payments becoming due prior to the year in which such Tender Indebtedness is first subject to tender such payments shall be treated as described in (i) above unless the interest during that period is subject to fluctuation, in which case the interest becoming due prior to such first tender date shall be determined as provided in (v), (vi) or (xii) below, as appropriate;

(v) if any Outstanding Bonds constitute Variable Rate Indebtedness (except to the extent subsection (ii) or (iii) relating to Balloon Indebtedness or (iv) relating to Tender Indebtedness or (xi) or (xii) relating to Qualified Swaps applies), the interest rate on such Bonds shall be assumed to be 100% of the rate quoted in The Bond Buyer 25 Revenue Bond Index for the last week of the month preceding the date of the calculation as certified by an Authorized Board Representative.

(vi) if Bonds proposed to be issued would be Variable Rate Indebtedness (except to the extent subsection (xi) or (xii) relating to Qualified Swaps applies), such Bonds shall be assumed to bear an interest rate equal to 100% of the rate quoted in The Bond Buyer 25 Revenue Bond Index for the last week of the month preceding the date of sale of such Bonds, as published in The Bond Buyer, as certified by an Authorized Board Representative;

(vii) with respect to any Commercial Paper Program which has been Implemented and not then terminated or with respect to any Commercial Paper Program then proposed to be Implemented, the principal and interest thereon shall be calculated as if the entire Authorized Amount of such Commercial Paper Program were to be amortized over a term of 25 years commencing in the year in which such Commercial Paper Program is Implemented and with substantially level annual debt service payments; the interest rate used for such computation shall be that rate determined by a Consultant to be a reasonable market rate for 25-year fixed-rate Bonds issued under the Indenture on the date of such

calculation, with no credit enhancement and taking into consideration whether such Bonds bear interest which is or is not excluded from gross income for federal income tax purposes;

(viii) with respect to any Program other than a Commercial Paper Program, then proposed to be Implemented, it shall be assumed that the full principal amount of such Authorized Bonds will be amortized over a term certified by an Authorized Board Representative to be the expected duration of such Program, but not to exceed 25 years, and commencing in the year such Program is Implemented and that debt service shall be paid in substantially level annual debt service payments over such assumed term; the interest rate used for such computation shall be that rate determined by a Consultant to be a reasonable market rate for fixed-rate Bonds of a corresponding term issued under the Indenture on the date of such calculation, with no credit enhancement and taking into consideration whether such Bonds bear interest which is or is not excluded from gross income for federal income tax purposes;

(ix) with respect to any Program other than a Commercial Paper Program, which has been Implemented (a) debt service on Bonds then Outstanding as part of such Program shall be determined in accordance with such of the foregoing provisions of this definition as shall be applicable, and (b) with respect to the Bonds of such Program which are Authorized, it shall be assumed that the full principal amount of such Authorized Bonds will be amortized over a term certified by an Authorized Board Representative at the time of implementation of such Program to be the expected duration of such Program or, if such expectations have changed, over a term certified by an Authorized Board Representative to be the expected duration of such Program at the time of such calculation, but not to exceed 25 years from the date such Program is Implemented and it shall be assumed that debt service shall be paid in substantially level annual debt service payments over such assumed term; the interest rate used for such computation shall be that rate determined by a Consultant to be a reasonable market rate for fixed-rate Bonds of a corresponding term issued under the Indenture on the date of such calculation, with no credit enhancement and taking into consideration whether such Bonds bear interest which is or is not excluded from gross income for federal income tax purposes;

(x) debt service on Repayment Obligations, to the extent such obligations constitute Bonds under the Indenture, shall be calculated as described under “THE SENIOR LIEN MASTER TRUST INDENTURE—Repayment Obligations” below;

(xi) for purposes of computing the Maximum Annual Debt Service of Bonds of a Series with respect to which a Qualified Swap is in effect, the interest payable thereon (a) except as provided in clause (b) of this sentence, shall be deemed to be the interest payable under the Qualified Swap in accordance with the terms thereof plus any amount required to be paid by the Board to the Qualified Swap Provider pursuant to the Qualified Swap or minus any amount required to be paid by the Qualified Swap Provider to the Board pursuant to the Qualified Swap, or (b) for purposes of computing the Maximum Annual Debt Service for any Reserve Fund created for a Series of Bonds and for purposes of any computation for the issuance of Additional Bonds as provided in the Indenture shall be deemed to be the amount accruing (1) at the fixed rate as provided in the Qualified Swap if the Qualified Swap provides that the Board’s obligation thereunder is payable at a fixed

rate or (2) at a variable rate determined in accordance with clause (v) or (vi) of the definition of Maximum Annual Debt Service if the Qualified Swap provides that the Board's obligation thereunder is payable at a variable rate;

(xii) for purposes of computing the Maximum Annual Debt Service of Qualified Swaps with respect to which no Bonds are presently Outstanding or of that portion of a Qualified Swap with respect to which the notional amount is greater than the principal amount of Outstanding Bonds to which such Qualified Swap relates for purposes of computation of the Maximum Annual Debt Service for a period after the date of computation, the interest payable thereon shall be deemed to be the net amount most recently paid, as of the date of computation, by the Board to the Qualified Swap Provider thereunder or (expressed negative number) by the Qualified Swap Provider to the Board thereunder; and

(xiii) if moneys or Permitted Investments have been irrevocably deposited with and are held by the Trustee or another fiduciary or Capitalized Interest has been set aside exclusively to be used to pay principal and/or interest on specified Bonds, then the principal and/or interest to be paid from such moneys, Permitted Investments, or Capitalized Interest or from the earnings thereon shall be disregarded and not included in calculating Maximum Annual Debt Service.

"Moody's" means 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 Board.

"Net Pledged Revenues" means Net Revenues.

"Net Proceeds" means insurance proceeds received as a result of damage to or destruction of Port Facilities or any condemnation award or amounts received from the sale of Port Facilities under the threat of condemnation less expenses (including attorneys' fees and any expenses of the Trustee) incurred in the collection of such proceeds or award.

"Net Revenues" means, for any given period, the Revenues for such period less the Operation and Maintenance Expenses for such period.

"Notes" means Bonds issued under the provisions of the Indenture which have a maturity of five years or less from their date of original issuance and which are not part of a Commercial Paper Program.

"Operation and Maintenance Expenses" means, for any given period, the total operation and maintenance expenses of the Board as determined in accordance with generally accepted accounting principles as modified from time to time, excluding any operation and maintenance expenses payable from moneys other than Pledged Revenues.

"Original Issue Discount Bonds" means 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 Indenture under which such Bonds are issued.

“Outstanding” when used with respect to Bonds means all Bonds which have been authenticated and delivered under the Indenture, except: (a) Bonds cancelled 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 the Indenture; (c) Bonds in lieu of which other Bonds have been authenticated under the Indenture; (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 Indenture pursuant to which they were issued, are deemed to be no longer Outstanding; (f) Repayment Obligations deemed to be Bonds under the Indenture to the extent such Repayment Obligation arose under the terms of a Liquidity Facility and are 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 the Indenture, Bonds held by or for the account of the board or by any person controlling, controlled by or under common control with the Board, unless such Bonds are pledged to secure a debt to an unrelated party.

“Passenger Facility Charges” means the passenger facility fees authorized to be imposed by the Port in accordance with 49 U.S.C. § 40117, et seq.

“Paying Agent” or “Paying Agents” means, with respect to the Bonds or any Series of Bonds, the banks, trust companies or other financial institutions or other entities designated in a Supplemental Indenture or a resolution of the Board as the place where such Bonds shall be payable.

“Payment Date” means, 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 by maturity or redemption thereof.

“Permitted Investments” means 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 Moody’s and by S&P if S&P then maintains a rating on such obligations;
- (4) Direct and general short-term obligations of any state which obligations are rated in the highest rating category by Moody’s and by S&P if S&P then maintains a rating on such obligations;

(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 that are members of the Federal Deposit Insurance Corporation (“FDIC”) or by savings and loan associations that are members of the Federal Savings and Loan Insurance Corporation (“FSLIC”), which deposits or interests must either be (a) continuously and fully insured by FDIC or FSLIC 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 if such banks are then rated by S&P or (b) fully secured by United States Obligations (i) which are valued not less frequently than monthly and have a fair market value, exclusive of accrued interest, at least equal to the principal amount of the deposits or interests, (ii) held by the Trustee (who shall not be the provider of the collateral) or by any Federal Reserve Bank or 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;

(6) Long-term or medium-term corporate debt 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 from S&P if S&P then maintains a rating on such institution 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 if S&P then maintains a rating on such paper;

(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 if Moody’s then maintains a rating on such bank and at least “A-1” or “AA” by S&P if S&P then maintains a rating on such bank, or whose one bank holding company parent is rated at least “P-1” or “Aa” by Moody’s if Moody’s then maintains a rating on such holding company and “A-1” or “AA” by S&P if S&P then maintains a rating on such holding company or that has a combined capital and surplus of not less than \$50,000,000;

(10) Investment Agreements; and

(11) Any other type of investment in which the Board directs the Trustee to invest provided that there is delivered to the Trustee a certificate of an Authorized Board Representative stating that each of the Rating Agencies then maintaining a rating on the applicable 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 applicable Bonds.

“Pledged Revenues” means, except to the extent specifically excluded herefrom, all income, receipts, earnings and revenues received by, held by, accrued to or entitled to be received by the Board or any successor thereto from the operation and/or ownership of the Port or any of the Port Facilities or activities and undertakings related thereto or from any other facilities wherever located with respect to which the Board receives payments and from the investment of amounts held in the Port Revenue Fund, including, but not limited to, (1) rates, tolls, fees, rentals, charges and other payments made to or owed to the Board for the use or availability of property or facilities, (2) amounts received or owed from the sale or provision of supplies, materials, goods and services provided by or made available by the Board, (3) Net Proceeds and rental or business interruption insurance proceeds and (4) amounts held in the Port Revenue Fund. Pledged Revenues shall also include such additional revenues, if any, as are designated as Pledged Revenues under the terms of any Supplemental Indenture. The following are specifically excluded from Pledged Revenues: (i) any amounts received by the Board from the imposition of ad valorem taxes, (ii) gifts, grants, Passenger Facility Charges and Customer Facility Charges which are restricted by their terms to purposes inconsistent with the payment of debt service on the Bonds, (iii) insurance proceeds to the extent the use of such proceeds are restricted by the terms of the policy under which they are paid to a use inconsistent with the payment of debt service on the Bonds and (iv) Special Facility Revenue.

“Port” means all facilities and property, real or personal, wherever located, under the jurisdiction or control of the Board or in which the Board has other rights or from which the Board derives revenue.

“Port Facilities” or “Port Facility” means a specific facility or group of facilities or category of facilities which constitute or are part of the Port.

“Port Revenue Fund” means that fund created by and existing pursuant to Section 617(3) of the Charter or any successor provision.

“Principal Amount” or “principal amount” means, as of any date of calculation, (i) with respect to any Capital Appreciation Bond, the Accreted Value thereof (the difference between the stated amount to be paid at maturity and the Accreted Value being deemed unearned interest), (ii) with respect to any Original Issue Discount Bond, the Accreted Value thereof, unless the Supplemental Indenture under which such Bond was issued shall specify a different amount, in which case, the terms of the Supplemental Indenture shall control and (iii) with respect to any other Bonds, the principal amount of such Bond payable at maturity.

“Program” means a Commercial Paper Program, auction bond program or other Program pursuant to which the Board authorizes the issuance of Bonds from time to time up to an Authorized Amount and sets forth the procedures under which such Bonds shall be issued and the terms of such Bonds.

“Project” means any and all facilities financed in whole or in part with proceeds of Bonds.

“Qualified Swap” means any financial arrangement (i) that is entered into by the Board with an entity that is a Qualified Swap Provider at the time the arrangement is entered into; (ii) which provides that the Board shall pay to such entity an amount based on the interest accruing at a fixed or a variable rate on an amount equal to the designated principal amount of Bonds Outstanding as described therein, and that such entity shall pay to the Board an amount based on the interest accruing on such principal amount at a variable or fixed rate of interest computed according to a formula set forth in such arrangement (which need not be the same as the actual rate of interest borne by such Bonds) or that one shall pay to the other any net amount due under such arrangement; and (iii) which has been designated in writing to the Trustee by the Board as a Qualified Swap with respect to such Bonds, and if entered into in connection with a new Series of Bonds has been approved in writing by S&P, and if entered into in connection with a particular Series of Bonds has been approved in writing by the insurer insuring payments of principal and interest on such Series of Bonds.

“Qualified Swap Provider” means with respect to a Qualified Swap a financial institution whose senior long term debt obligations, or whose obligations under a Qualified Swap are guaranteed by a financial institution whose senior long term debt obligations, are rated (at the time the subject Qualified Swap is entered into) at least A3, in the case of Moody’s and A-, in the case of S&P, or the equivalent thereto in the case of any successor thereto, and which is approved in writing by any bond insurer insuring payment of principal of and interest on the Series of Bonds to which such Qualified Swap relates.

“Rating Agency” means Moody’s or S&P.

“Registrar” means, with respect to the Bonds or any Series of Bonds, the bank, trust company or other entity designated in a Supplemental Indenture or a resolution of the Board to perform the function of Registrar under the Indenture, and which bank, trust company or other entity has accepted the position in accordance with the Indenture.

“Repayment Obligations” means an obligation arising under a written agreement of the Board and a Credit Provider pursuant to which the Board 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 Board and a Liquidity Provider pursuant to which the Board agrees to reimburse the Liquidity Provider for amounts paid through a Liquidity Facility to be used to purchase Bonds.

“Reserve Fund” means any Reserve Fund created by the Board pursuant to a Supplemental Indenture in connection with the issuance of any Series of Bonds for the purpose of providing additional security for such Series of Bonds; such term shall also mean any surety bond, insurance

policy or other financial instrument which is provided in lieu of a funded reserve for a Series of Bonds.

“Revenues” means the operating revenues and interest income of the Board, for any given period, as determined in accordance with generally accepted accounting principles, as modified from time to time, but excluding (i) Special Facilities Revenue, and (ii) any amounts paid to the Board pursuant to a Qualified Swap.

“S&P” means S&P Global Ratings, a business of Standard & Poor’s Financial Services, LLC, a limited liability company organized and existing under the laws of the State of Delaware, its successors and assigns, and, if such entity shall be dissolved or liquidated or shall 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 Board.

“Series” means Bonds designated as a separate Series by a Supplemental Indenture and, with respect to a Commercial Paper Program, shall mean the total Authorized Amount of such Program regardless of when or whether issued, unless portions thereof are, by Supplemental Indenture, designated as separate Series.

“Special Facilities Revenue” means the contractual payments derived by the Board from a Special Facility and all other income and revenues available to the Board from such Special Facility.

“Special Facility” means a facility that is designated as a Special Facility under the provisions of the Indenture.

“Special Obligations” means bonds or other debt instruments that are not secured by nor payable from the Pledged Revenues, but are payable from Special Facilities Revenues.

“Specified Project” means a Project or a group of alternative Projects which are described in a certificate of an Authorized Board Representative delivered to the Consultant preparing the Additional Bonds certificate described in the Indenture, the revenues and expenses of which Project or of the alternative Projects are to be taken into account by such Consultant in preparing said certificate.

“Subordinated Obligation” means any bond or other debt instrument issued or otherwise entered into by the Board 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 Board is current on all payments required to be made to replenish all Reserve Funds. In connection with any Subordinated Obligation with respect to which an interest rate swap is in effect or proposes to be in effect, the term “Subordinated Obligation” includes, collectively, both such Subordinated Obligation and either such interest rate swap or the obligations of the Board under such interest rate swap, as the context requires. The term “Subordinated Obligations” also includes an interest rate swap or the obligations of the Board under such interest rate 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 interest rate swap was entered into are outstanding.

“Supplemental Indenture” means any document supplementing or amending the Indenture or providing for the issuance of Bonds.

“Swap Termination Payment” means an amount payable by the Board 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.

“Tender Indebtedness” means any Bonds or portions of Bonds a feature of which is an option, on the part of the Bondholders, or an obligation, under the terms of such Bonds, to tender all or a portion of such Bonds to the Board, the Trustee, the Paying Agent or other fiduciary or agent or Credit Provider for payment or purchase and requiring that such Bonds or portions of Bonds be purchased if properly presented.

“Trustee” or “Senior Lien Trustee” means U.S. Bank, National Association, until a successor replaces it and, thereafter, means such successor.

“United States Obligations” means 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 (in the case of direct and general obligations and not 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.

”Variable Rate Indebtedness” means any Bond or Bonds the interest rate on which is not, at the time in question, fixed to maturity.

THE SENIOR LIEN MASTER TRUST INDENTURE

The following is a summary of certain provisions of the Senior Lien Master Trust Indenture. Such summary is only a brief description of certain provisions of such document and is qualified in its entirety by reference to the full text of the Senior Lien Master Trust Indenture.

Grant to Secure the Senior Lien Bonds; Pledge of Pledged Revenues

To secure the payment of the Bonds and the performance and observance by the Board of all the covenants, agreements and conditions expressed or implied in the Indenture or contained in the Bonds, the Board 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 Board 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 Board in the following: (a) the Pledged Revenues, (b) all moneys and securities (excluding moneys and securities on deposit in any Rebate Fund) held from time to time by the Trustee under the Indenture and moneys and securities held in any Construction Fund whether or not held by the Trustee, (c) earnings on amounts included in provisions (a) and (b) above and (d) any and all other funds, assets, rights, property or interests therein which may from time to time be sold, transferred, conveyed, assigned, pledged, mortgaged, granted or delivered to or deposited with the Trustee as additional security under the Indenture, 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 the Indenture, 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 Reserve Fund created by a Supplemental Indenture and any other security or Credit Facility provided for specific Bonds may, as provided by Supplemental Indenture, secure only such specific Bonds and shall not be included as security for all Bonds under the Indenture, and moneys and securities held in trust as provided in the Indenture 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 the Indenture shall be held solely for the payment of such specific Bonds.

The Board represents and states under the Indenture that it has not previously created any charge or lien on or any security interest in the Pledged Revenues and the Board covenants under the Indenture that, until all the Bonds authorized and issued under the provisions of the Indenture 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 the Pledged Revenues or any of the other security which is pledged pursuant to the Indenture, 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 the Indenture. The Board is permitted to encumber the Pledged Revenues with a pledge ranking junior and subordinate to the charge or lien of the Bonds.

Receipt and Deposit of Pledged Revenues – Port Revenue Fund

The Board covenants and agrees that all Pledged Revenues, when and as received, will be deposited by the Board pursuant to the Act in the Port Revenue Fund in the City Treasury and will be accounted for through the Port Revenue Fund. The Board will notify the City Treasurer of the pledge of, lien on, and interest in Pledged Revenues granted by the Senior Lien Master Trust Indenture and will instruct the City Treasurer that all such Pledged Revenues shall be accounted for separate and apart from all other moneys, funds, accounts or other resources of the Board or the City.

Repayment Obligations

If a Credit Provider or Liquidity Provider advances funds to pay principal of or to purchase Bonds, all or a portion of the Board's repayment obligation may be afforded the status of a Bond under the Indenture. If afforded such status, the Credit Provider or Liquidity Provider will be deemed to be the Bondholder, and such Bonds will be deemed to have been issued as of the date of the Bonds for which the Credit Facility or Liquidity Facility was originally provided. Interest on the Bonds deemed to be held by the Credit Provider or Liquidity Provider shall be deemed to

be payable semiannually at the rate of interest applicable to the repayment obligation. Payments of principal shall be deemed to be payable annually and amortized on a substantially level annual debt service basis over a period ending on the later of: (a) the earlier of (i) 25 years or (ii) the final maturity of the Bonds for which the Credit Facility or Liquidity Facility was provided; and (b) the final maturity of the Repayment Obligation. Any amount that comes due on a Repayment Obligation by its terms, which is in excess of the amount treated as principal of and interest on a Bond, shall be junior and subordinate to the Bonds and shall constitute a Subordinated Obligation of the Board.

Obligations Under Qualified Swap

The obligation of the Board to make interest swap payments under a Qualified Swap with respect to a Series of Bonds shall be on a parity with the obligation of the Board to make payments with respect to such Series of Bonds and other Bonds under the Indenture, except as otherwise provided by a Supplemental Indenture and elsewhere in the Indenture, with respect to any Swap Termination Payments. Such interest swap obligations under a Qualified Swap shall be secured by a pledge of a 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.

In the event that a Swap Termination Payment or any other amounts other than as described in the preceding paragraph are due and payable by the Board under a Qualified Swap, such Swap Termination Payment and any such other amounts shall constitute a Subordinated Obligation under the Indenture.

Payment of Principal and Interest

Under the Indenture, the Board covenants and agrees that it will duly and punctually pay or cause to be paid from the Pledged Revenues the principal of, premium, if any, and interest on every Bond at the place and on the dates and in the manner specified in the Indenture and that it will faithfully do and perform all covenants and agreements contained in the Indenture.

Senior Lien Obligations Prohibited

The Board agrees that so long as any Bonds are Outstanding under the Senior Lien Master Trust Indenture, it (i) will not adopt a resolution determining that Pledged Revenues be used to pay general obligation bonds of the City and (ii) will not issue any additional bonds or other obligations with a lien on or security granted in Pledged Revenues which is senior to the Bonds.

Rate Covenant

The Board will, at all times while any of the Bonds remain Outstanding, establish, fix, prescribe and collect rates, tolls, fees, rentals and charges in connection with the Port and for services rendered in connection therewith, so that Pledged Revenues in each Fiscal Year will be at least sufficient to pay the following amounts:

- (1) the interest on and principal of the Outstanding Bonds as the same become due and payable by the Board in such year;

(2) all other payments required for compliance with the terms of the Senior Lien Master Trust Indenture and of any Supplemental Indenture including, but not limited to, the required deposits to any Reserve Fund, which may be established;

(3) all other payments necessary to meet ongoing legal obligations to be paid at that time from Pledged Revenues; and

(4) all current Operation and Maintenance Expenses of the Port.

The Board further agrees that it will establish, fix, prescribe and collect rates, tolls, fees, rentals and charges in connection with the Port and for services rendered in connection therewith, so that during each Fiscal Year the Net Revenues will be equal to at least 125% of the actual debt service becoming due and payable by the Board on Outstanding Bonds in such year less (i) amounts paid from the proceeds of other borrowings and (ii) debt service paid in such year from Capitalized Interest.

If the Board violates either covenant set forth above, such violation shall not be a default under the Indenture and shall not give rise to a declaration of an Event of Default if, within 120 days after the date such violation is discovered, (1) the Board obtains recommendations from a Consultant as to the revision of rates, tolls, fees, rentals and charges necessary to produce Pledged Revenues sufficient to cure such violation and (2) the Board makes such revisions to rates, tolls, fees, rentals and charges and to Operation and Maintenance Expenses insofar as practicable so as to produce Pledged Revenues to cure such violation.

Subordinated Obligations

The Board may, from time to time, incur indebtedness which is subordinate to the Bonds, referred to as Subordinated Obligations. Such indebtedness shall be incurred at such times and upon such terms as the Board shall determine, provided that any lien on or security interest granted in the Pledged Revenues or other assets securing the Bonds shall be specifically stated to be junior and subordinate to the lien on and security interest in such Pledged Revenues and other assets granted to secure the Bonds and the Board's obligations under the Indenture, and 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 Reserve Funds are then current.

Special Facilities and Special Obligations

The Board may, from time to time, (i) designate a separately identifiable existing facility or planned facility as a "Special Facility," (ii) incur debt primarily for the purpose of acquiring, constructing, renovating or improving or providing financing to a third party to acquire, construct, renovate or improve such facility, (iii) provide that the contractual payments derived from such Special Facility together with other income and revenues available to the Board from such Special Facility be "Special Facilities Revenue" and not included as Pledged Revenues and (iv) provide that the debt so incurred shall be a "Special Obligation" and the principal of and interest thereon shall be payable solely from the Special Facilities Revenue. The Board may from time to time refinance any such Special Obligations with other Special Obligations.

The Special Obligations shall be payable as to principal, redemption premium, if any, and interest solely from Special Facilities Revenue which shall include contractual payments derived by the Board under and pursuant to a contract relating to the Special Facility by and between the Board and another person, firm or corporation, either public or private, as shall undertake the operation of the Special Facility.

No Special Obligations shall be issued by the Board unless there shall have been filed with the Trustee a certificate of an Authorized Board Representative stating that the estimated Special Facilities Revenue of or pledged to the payment of obligations relating to the Special Facility will be at least sufficient to pay the principal of and interest on such Special Obligations as and when the same become due and payable, all costs of operating and maintaining such Special Facility not paid for by the operator thereof or by a party other than the Board and all sinking fund, reserve or other payments required by the resolution authorizing the Special Obligations as the same become due, the estimated Revenues and Net Pledged Revenues calculated without including the Special Facilities Revenue and without including any operation and maintenance expenses of the Special Facility as Operation and Maintenance Expenses will be sufficient so that the Board will be in compliance with the Indenture during each of the five Fiscal Years immediately following such disposition and no Event of Default then exists under the Indenture.

To the extent Special Facilities Revenue during any Fiscal Year shall exceed the amounts required to be paid for such Fiscal Year, such excess Special Facilities Revenue shall be deposited into the Port Revenue Fund and shall constitute Pledged Revenues.

At such time as the Special Obligations issued for a Special Facility including Special Obligations issued to refinance Special Obligations are fully paid or otherwise discharged, all revenues of the Board from such facility shall be included as Pledged Revenues.

Obligations Secured by Other Revenues

The Board may, from time to time, incur indebtedness payable solely from certain Revenues which do not constitute Pledged Revenues at such times and upon such terms and conditions as the Board shall determine, provided that such indebtedness shall specifically include a provision that payment of such indebtedness is neither secured by nor payable from Pledged Revenues. The Board may also, from time to time, incur indebtedness payable from and secured by both Pledged Revenues and certain Revenues which do not constitute Pledged Revenues at such times and upon such terms and conditions as the Board shall determine, provided that the conditions set forth in the Indenture for the issuance of indebtedness payable from and secured by Pledged Revenues are met.

Withdrawals from Port Revenue Fund

The Board, at least one Business Day prior to each Payment Date, shall withdraw from the Port Revenue Fund and pay to the Trustee the full amount required to make the interest and/or principal payments due on such Payment Date.

On any day on which the Trustee receives funds from the Board to be used to pay principal of or interest on Bonds, the Trustee shall, if the amount received is fully sufficient to pay all amounts of principal and interest then due or becoming due on the next Payment Date, deposit

such amounts into the respective Debt Service Funds for the Series of Bonds for which such payments were made. 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 from Reserve Funds) to pay in full 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 as follows: first to the payment of interest then due on the Bonds 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 a Reserve Fund or Reserve Funds (or a Credit Facility provided in lieu thereof) has been used to make payments on Bonds secured thereby, then the Board may be required by Supplemental Indenture to replenish such Reserve Fund or Reserve Funds or reimburse the Credit Provider from Pledged Revenues provided that (1) no amount from Pledged Revenues may be used for such purpose until all payments of principal of and interest on all Bonds which have become due and payable shall have been paid in full, (2) the required payments to replenish any Reserve Fund or reimburse the Credit Provider shall be due in no less than 12 substantially equal monthly installments commencing in the month following any such withdrawal and (3) if the aggregate amount of payments due on any date to replenish the Reserve Funds exceeds the amount available for such purpose, the payments made to the Trustee for such purpose shall be allocated among the various Reserve Funds pro rata on the basis of the Outstanding principal amount of Bonds secured thereby.

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

Maintenance and Operation of Port

The Board covenants in the Indenture that the Port shall at all times be operated and maintained in good working order and condition and that all lawful orders of any governmental agency or authority having jurisdiction in the premises shall be complied with (provided the Board shall not be required to comply with any such orders so long as the validity or application thereof shall be contested in good faith), and that all licenses and permits necessary to construct or operate any of the Port Facilities shall be obtained and maintained and that all necessary repairs, improvements, replacements of the facilities constituting the Port shall be made, subject to sound business judgment. The Board will, from time to time, duly pay and discharge, or cause to be paid and discharged, except to the extent the imposition or payment thereof is being contested in good faith by the Board, all taxes (if any), assessments or other governmental charges lawfully imposed upon the Port Facilities or upon any part thereof, or upon the Pledged Revenues, when the same shall become due, as well as any lawful claim for labor, materials or supplies or other charges which, if unpaid, might by law become a lien or charge upon the Pledged Revenues or the Port Facilities or any part thereof constituting the Port.

Insurance; Application of Insurance Proceeds

Subject, in each case, to the condition that insurance is obtainable at reasonable rates and upon reasonable terms and conditions:

(1) the Board will procure and maintain or cause to be procured and maintained insurance with respect to the facilities constituting the Port and public liability insurance, in each case, in such amounts and against such risks as are, in the judgment of the Board, prudent and reasonable taking into account, but not being controlled by, the amounts and types of insurance provided by similar ports; and

(2) the Board will place on file with the Trustee annually within 120 days after the close of each Fiscal Year a certificate of an Authorized Board Representative containing a summary of all insurance policies then in effect with respect to the Port and the operations of the Board.

If, as a result of any event, (1) one or more Port Facilities are destroyed or severely damaged and (2) such facilities were financed with the proceeds of any Senior Lien Bonds the interest on which is then excluded from gross income for federal income tax purposes, the Net Proceeds received as a result of such event of damage or destruction shall be used as provided in the applicable tax and non-arbitrage certificate or as otherwise advised by Bond Counsel.]

Transfer of Port Facilities

The Board shall not, except as permitted below, transfer, sell or otherwise dispose of Port Facilities. Any transfer of an asset over which the Board retains or regains substantial control shall not, for so long as the Board has such control, be deemed a disposition of Port Facilities. Further, any lease, license, concession or similar arrangement entered into by the Board and granting others the right to use Port Facilities for any period in exchange for fair market value, as evidenced by a certificate of an Authorized Board Representative, shall not be deemed a transfer, sale, or disposition of Port Facilities.

The Board may transfer, sell or otherwise dispose of Port Facilities only if such transfer, sale or disposition complies with one or more of the following provisions:

- (a) The property being disposed of is inadequate, obsolete or worn out; or
- (b) The property proposed to be disposed of and all other Port Facilities disposed of in related transactions during the 12-month period ending on the day of such transfer (but excluding property disposed of under (a) above), will not, in the aggregate, constitute a Significant Portion of the Port determined as described below and the proceeds thereof are deposited into the Port Revenue Fund to be used as described below; or
- (c) The Board receives fair market value for the property, as evidenced by a certificate of an Authorized Board Representative, the proceeds thereof are deposited into the Port Revenue Fund to be used for any lawful purpose and, prior to the disposition of such property, there is delivered to the Trustee a certificate of a Consultant approved by an Authorized Board Representative to the effect that notwithstanding such disposition, but taking into account the use

of such proceeds in accordance with the expectations of the Board as evidenced by a certificate of an Authorized Board Representative, the Consultant estimates that the Board will be in compliance with the rate covenant set forth in the Indenture during each of the five Fiscal Years immediately following such disposition.

The term “Significant Portion” of the Port Facilities means Port Facilities which, if such facilities had been disposed of by the Board at the beginning of the Fiscal Year which includes the month of commencement of the 12-month period referred to in (b) above would have resulted in a reduction in Pledged Revenues for such Fiscal Year of more than 10% when the actual Pledged Revenues for such Fiscal Year are decreased by the Pledged Revenues directly attributable to such Port Facilities.

Port Facilities which were financed with the proceeds of any Bonds the interest on which is then excluded from gross income for federal income tax purposes shall not be disposed of, except under the terms of provision (a) above, unless the Board has first received an opinion of Bond Counsel to the effect that such disposition will not cause the interest on such Bonds to become includable in gross income for federal income tax purposes and the proceeds of such disposition shall be used as provided in the applicable tax and non-arbitrage certificate or as otherwise advised by Bond Counsel. This paragraph shall be applied without regard to the sentence above providing that any transfer of an asset over which the Board retains or regains substantial control shall not, for so long as the Board has such control, be deemed a disposition of Port Facilities.

No such disposition shall be permitted which would cause the Board to be in default of any other covenant contained in the Indenture.

Eminent Domain

If a Port Facility or Port Facilities are taken by eminent domain proceedings or conveyance in lieu thereof, the Board shall create within the Port Revenue Fund a special account and credit the Net Proceeds received as a result of such taking or conveyance to such account and shall within a reasonable period of time, not to exceed three years after the receipt of such amounts, use such proceeds to (1) replace the Port Facilities which were taken or conveyed, (2) provide additional revenue-producing Port Facilities, (3) redeem Bonds or (4) create an escrow fund pledged to pay specified Bonds and thereby cause such Bonds to be deemed to be paid as provided in the Senior Lien Master Trust Indenture relating to defeasance.

Investments

Moneys held by the Trustee in the funds and accounts created under any Supplemental Indenture shall be invested and reinvested as directed by the Board in Permitted Investments subject to the restrictions set forth in such Supplemental Indenture and subject to the investment restrictions imposed upon the Board by the laws of the State of California. Earnings on the various funds and accounts created under a Supplemental Indenture shall be deposited into the Port Revenue Fund, 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 Indentures, (ii) earnings on the Construction Funds may, if so provided by Supplemental Indenture, be retained in such Construction Fund, and (iii) earnings on Reserve

Funds may, if so provided by Supplemental Indenture, be retained in such fund if there is a deficiency therein.

Defeasance

The Bonds or portions thereof 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 the Indenture 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 have been paid in full or are deemed to have been paid in full, and all other sums payable under the Indenture by the Board, 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 the Pledged Revenues and the other assets pledged to secure such Bonds shall thereupon cease, terminate and become void, and thereupon the Trustee shall cancel, discharge and release the Indenture.

A Bond shall be deemed to be paid 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 such Bond and the Indenture or (b) shall have been provided for by irrevocably depositing with the Trustee in trust and irrevocably 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; provided, however, that no deposit under clause (b)(ii) shall be deemed a payment of such Bond until (a) proper notice of redemption of such Bond shall have been given or, in the event, under the terms of such Supplemental Indenture, the date for giving such notice of redemption has not yet arrived, until the Board shall have given the Trustee irrevocable instructions to give such notice of redemption when appropriate and to notify all holders of the affected Bond that the deposit required by (b)(ii) above has been made with the Trustee and that such Bond is deemed to have been paid and stating the maturity or redemption date upon which moneys are to be available for the payment of the principal of and the applicable redemption premium, if any, on such Bond or (b) the maturity of such Bonds.

Events of Default and Remedies

Events of Default. Each of the following events is defined in the Indenture to constitute 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 Bond;

(d) a failure by the Board to observe and perform any covenant, condition, agreement or provision (other than as specified in paragraphs (a), (b) and (c) above) contained in the Bonds or in the Indenture on the part of the Board to be observed or performed, 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 Board by the Trustee as provided in the Indenture, or an extension of such 60-day period shall have been granted in accordance with the Indenture 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 Board within such period and is being diligently pursued;

(e) the occurrence of certain bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings instituted by or against the City or the Board, and, if instituted against the City or the Board, said proceedings are consented to or are not dismissed within 60 days after such institution;

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

Acceleration; Other Remedies. Upon the occurrence and continuance of an Event of Default, the Trustee may at any time and the Trustee shall, upon the written request of holders of 25% or more of the Principal Amount of any Bonds which are then Outstanding and subject to acceleration, by written notice to the Board, declare such Bonds which are subject to acceleration to be immediately due and payable. All Bonds Outstanding under the Indenture shall be subject to acceleration unless, under the terms of the Supplemental Indenture providing for the issuance of such series of Bonds, a specific Series is, for a specified period, which may include the entire term of such Series, secured by a separate source or a Credit Facility and is not subject to acceleration during such period unless the Credit Provider consents to such acceleration or the terms of the Supplemental Indenture permit acceleration under specified conditions and such conditions have been met. In addition, if under the terms of a Supplemental Indenture, an Event of Default occurs as a result of a determination that interest on any Bonds issued thereunder is taxable for federal income tax purposes, then the applicable Bonds to which such determination of taxability applies may be declared due and payable without any requirement that other Bonds be accelerated as a result of such Event of Default.

If after the principal of the Bonds shall have been declared to be due and payable, and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the Board shall cause to be deposited with the Trustee a sum sufficient to pay all matured installments of interest upon all Bonds and the principal of any and all Bonds which shall have become due otherwise than by reason of such declaration and such amount as shall be sufficient to cover reasonable compensation and reimbursement of expenses payable to the Trustee, and all Events of Default other than nonpayment of the principal of Bonds which shall have become due by such declaration shall have been remedied, then the Trustee may, and at the request of the holders of a majority in Principal Amount of Bonds Outstanding which are subject to such acceleration the Trustee shall, waive the Event of Default and rescind or annul the acceleration and its consequences.

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 applicable Bonds then Outstanding and receipt of indemnity to its satisfaction, shall:

- (i) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the Bondholders, and require the Board to carry out any agreements with or for the benefit of the Bondholders and to perform its or their duties under the Act or any other law to which it is subject and the Indenture, provided that any such remedy may be taken only to the extent permitted under the applicable provisions of the Indenture;
- (ii) bring suit upon the applicable Bonds;
- (iii) commence an action or suit in equity to require the Board 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.

Bondholders' Right To Direct Proceedings. Holders of a majority in Principal Amount of the applicable 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 the Indenture to be taken in connection with the enforcement of the terms of the Indenture or exercising any trust or power conferred on the Trustee by the Indenture; provided that such direction shall not be otherwise than in accordance with the provisions of the law and the Indenture 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.

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 under the Indenture, or any other remedy under the Indenture or on such Bonds, unless such Bondholder or Bondholders previously shall have given to the Trustee written notice of an Event of Default and unless also holders of 25% or more of the Principal Amount of the applicable Bonds then Outstanding shall have made written request of the Trustee so to do, after the right to institute such suit, action or proceeding 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 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 the Indenture, or to enforce any right under the Indenture or under the Bonds, except in the manner provided in the Indenture, and that all suits, actions and proceedings at law or in equity shall be instituted, had and maintained in the manner provided in the Indenture and for the equal benefit of all Bondholders.

The Trustee

Standard of Care. 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.

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) the Trustee shall not be liable for any error of judgment made in good faith by an officer unless the Trustee was negligent in ascertaining the pertinent facts; and (2) 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 Board in the manner provided in the Indenture.

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 Board is required before such events will become Events of Default, such notice has been given, then the Trustee shall promptly, after obtaining actual knowledge of such Event of Default or event described in (ii) give notice thereof to each Bondholder. Except in the case of a default in payment or purchase of any Bond, the Trustee may withhold the notice if and so long as a committee of its officers in good faith determines that withholding such notice is in the interest of the Bondholders.

Bondholders' Indemnity of Trustee. The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by the Indenture 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 may be incurred by the Trustee in compliance with such request on direction.

Eligibility of Trustee. The Indenture 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 of California, 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.

Replacement; Successor Trustee by Merger. The Trustee may resign by notifying the Board 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 applicable Bonds may remove the Trustee by notifying the removed Trustee and may appoint a successor Trustee with the Board's consent. The Board may remove the Trustee, by notice in writing delivered to the Trustee 60 days prior to the proposed removal date; provided, however, that the Board 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 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 Board. 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 have all the rights, powers and duties of the Trustee under the Indenture.

If the Trustee resigns or is removed or for any reason is unable or unwilling to perform its duties under the Indenture, the Board shall promptly appoint a successor Trustee. If a Trustee is not performing its duties under the Indenture and a successor Trustee does not take office within 60 days after the retiring Trustee delivers notice of resignation or the Board delivers notice of removal, the retiring Trustee, the Board or the holders of a majority in Principal Amount of the applicable Bonds may petition any court of competent jurisdiction for the appointment of a successor Trustee.

If the Trustee 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 the Indenture, the resulting, surviving or transferee corporation without any further act shall be the successor Trustee.

Accounting Records and Reports of the Trustee. The Trustee shall at all times keep, or cause to be kept, proper books of record and account in which complete and accurate entries shall be made of all transactions relating to the proceeds of the Bonds and all funds and accounts established pursuant to the Indenture. Such records shall be available for inspection by the Board on each Business Day during reasonable business hours and by any Bondholder, or his agent or representative duly authorized in writing, at reasonable hours and under reasonable circumstances. The Trustee shall annually, within a reasonable period after the end of the Fiscal Year, furnish to the Board 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, Pledged Revenues and any other moneys in any of the funds and accounts established pursuant to the Indenture or any Supplemental Indenture for the preceding year.

Amendments

Amendments Without Consent of Bondholders. The Board may, from time to time and at any time, without the consent of or notice to the Bondholders, execute and deliver Supplemental Indentures supplementing and/or amending the Indenture or any Supplemental Indenture as follows:

- (a) to provide for the issuance of a Series or multiple Series of Bonds 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, the Indenture or any Supplemental Indenture, provided such supplement or amendment is not materially adverse to the Bondholders;
- (c) to add to the covenants and agreements of the Board in the Indenture or any Supplemental Indenture other covenants and agreements, or to surrender any right or power

reserved or conferred upon the Board, 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 Board provided pursuant to the Indenture or to otherwise add additional security for the Bondholders;

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

(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 the Indenture or any Supplemental Indenture 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 a Series of Bonds for a rating or ratings by Moody's and/or S&P;

(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 Board 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 of Bonds;

(l) to comply with the requirements of the Code as are necessary, in the opinion of Bond Counsel, to prevent the federal income taxation of the interest on the Bonds, including, without limitation, the segregation of Pledged Revenues into different funds.

Before the Board shall, without Bondholder consent, execute any Supplemental Indenture, there shall have been delivered to the Board an opinion of Bond Counsel to the effect that such Supplemental Indenture is authorized or permitted by the Indenture, the Act and other applicable law, complies with their respective terms, will, upon the execution and delivery thereof, be valid and binding upon the Board in accordance with its terms and will not cause interest on any 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.

Amendments With Consent of Bondholders. Except for any amendments described above and any amendments affecting less than all series of Bonds as described in the following paragraph,

the holders of not less than 51% 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 Board of any Supplemental Indenture deemed necessary or desirable by the Board for the purposes of modifying, altering, amending, supplementing or rescinding, in any particular, any of the terms or provisions contained in the Indenture or in a Supplemental Indenture; provided, however, that, unless approved in writing by the holders of all such Bonds then Outstanding or unless such change affects less than all Series of Bonds and the following paragraph 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, interest on or Accreted Value of 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 contained in the Indenture, including the paragraph below, shall, unless approved in writing by the holders of all such Bonds then Outstanding, permit or be construed as permitting (iii) the creation of a lien (except as expressly permitted by the Indenture) upon or pledge of the Pledged Revenues created by the Indenture, ranking prior to or on a parity with the claim created by the Indenture, (iv) except with respect to additional security which may be provided for a particular series of Bonds, a preference or priority of any Bond or Bonds over any other Bond or Bonds with respect to the security granted therefor, or (v) a reduction in the aggregate Principal Amount of Bonds the consent of the Bondholders of which is required for any such Supplemental Indenture.

The Board may, from time to time and at any time execute a Supplemental Indenture which amends the provisions of an earlier Supplemental Indenture under which a series or multiple series of Bonds were issued. If such Supplemental Indenture is executed for one of the purposes set forth in “Amendments Without Consent of Bondholders” above, no notice to or consent of the Bondholders shall be required. If such Supplemental Indenture contains provisions which affect the rights and interests of less than all series of Bonds Outstanding for purposes other than those set forth under “Amendments Without Consent of Bondholders,” then the holders of not less than 51% in aggregate Principal Amount of the applicable Bonds of all Series which are affected by such changes shall have the right from time to time to consent to any Supplemental Indenture deemed necessary or desirable by the Board for the purposes of modifying, altering, amending, supplementing or rescinding, in any particular, any of the terms or provisions contained in such Supplemental Indenture 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 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 or Accreted Value of 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.

Rights of Credit Provider

If a Credit Facility is provided for a Series of Bonds or for specific Bonds, the Board may by Supplemental Indenture provide to the Credit Provider, for so long as the Credit Provider is not in default of its payment obligations under its Credit Facility, (1) the right to make requests of, direct or consent to the actions of the Trustee or to otherwise direct proceedings under the Indenture to the same extent and in place of the owners of such Bonds which are secured by the Credit Facility, (2) the right to act in place of the owners of such Bonds which are secured by the Credit Facility for purposes of removing a Trustee or appointing a Trustee, and (3) with respect to a Credit

Facility consisting of a policy of municipal bond insurance or similar noncancellable financial guaranty extending through the term of the applicable Bonds, the right to consent to the execution and delivery of any Supplemental Indenture requiring bondholder consent to the same extent and in place of the Bondholders of the Bonds that are secured by such policy of municipal bond insurance or similar financial guaranty and to be deemed to be the Bondholder of such Bonds for the said purposes; provided that, with respect to any amendment of the Indenture or a Supplemental Indenture as described in the Indenture, the consent of the actual applicable Bondholders shall be required in addition to any consent of the issuer of such policy of municipal bond insurance or similar financial guaranty that may be required with respect to the applicable Bonds.]

Additional Bonds

Additional Bonds may be issued under the terms of the Indenture on a parity with all other Bonds (with respect to the pledge of Pledged Revenues), including but not limited to bonds, notes, bond anticipation notes, commercial paper and other instruments creating an indebtedness of the Board, and obligations incurred through lease or installment purchase agreements or other agreements or certificates of participation in such agreements.

Additional Bonds may be issued under the Indenture on a parity with all other Bonds; provided that, among other things, there shall be delivered to the Trustee either:

(i) a certificate prepared by an Authorized Board Representative showing that the Net Revenues for any 12 consecutive months out of the 18 consecutive months preceding the issuance of the proposed Bonds or the first bonds of a Program were at least equal to 125% of Maximum Annual Debt Service for all Bonds which will be Outstanding and Bonds which will be Authorized immediately after the issuance of the proposed Bonds or implementation of such program; or

(ii) a certificate prepared by a Consultant showing that:

- (1) the Net Revenues for any 12 consecutive months out of the 18 consecutive months preceding the issuance of the proposed Bonds or the first issuance of Bonds constituting part of a Program were at least equal to 125% of Maximum Annual Debt Service for all Bonds Outstanding and Authorized immediately before the issuance of the proposed Series or Implementation of such Program;
- (2) for each Fiscal Year during the period from the date of delivery of such certificate until the latest Estimated Completion Date, the Consultant estimates that the Board will be in compliance with its rate covenants under the Indenture; and
- (3) the estimated Net Revenues for each of the three Fiscal Years immediately following the last Estimated Completion Date for the Specified Projects will be at least equal to 125% of Maximum Annual Debt Service for all Bonds which will be Outstanding and all Bonds which will be Authorized after the issuance of the proposed Bonds or Implementation of such Program.

For purposes of paragraphs (ii)(2) and (3) above, in estimating Net Revenues, the Consultant may take into account (1) reasonable Revenues from Specified Projects or Port Facilities reasonably expected to become available during the period for which the estimates are provided, (2) any increase in fees, rates, charges, rentals or other sources of Revenues which have been approved by the Board and will be in effect during the period for which the estimates are provided, (3) any other increases in Revenues which the Consultant believes to be a reasonable assumption for such period. With respect to Operating and Maintenance Expenses, the Consultant shall use such assumptions as the Consultant believes to be reasonable, and taking into account, (i) historical Operation and Maintenance Expenses, (ii) Operation and Maintenance Expenses associated with the Specified Projects and any other new Port Facilities and (iii) such other factors, including inflation and changing operations or policies of the Board, as the Consultant believes to be appropriate. The Consultant shall include in the certificate or in a separate accompanying report a description of the assumptions used and the calculations made in determining the estimated Net Revenues and shall also set forth the calculations of Maximum Annual Debt Service, which calculations may be based upon information provided by another Consultant.

For purposes of preparing the certificate or certificates described above, the Consultant or Consultants may rely upon financial statements prepared by the Board which have not been subject to audit by an independent certified public accountant if audited financial statements for the Fiscal Year or period are not available; provided, however, that an Authorized Board Representative shall certify as to their accuracy and that such financial statements were prepared substantially in accordance with generally accepted accounting principles, subject to year-end adjustments.

Neither of the certificates described above shall be required if:

(a) the Bonds being issued are for the purpose of refunding Outstanding Bonds and the Trustee receives a certificate of an Authorized Board Representative showing that Maximum Annual Debt Service on all Bonds Outstanding or Bonds Authorized after the issuance of the refunding Bonds will not exceed Maximum Annual Debt Service on all Bonds Outstanding or Authorized prior to the issuance of such Bonds; or

(b) the Bonds being issued constitute Notes and the Trustee receives a certificate prepared by an Authorized Board Representative showing that the principal amount of the proposed Notes being issued, together with the principal amount of any Notes then Outstanding, does not exceed 10% of the Net Pledged Revenues for any 12 consecutive months out of the 18 months immediately preceding the issuance of the proposed Notes, and the Trustee receives a certificate of an Authorized Board Representative showing that for each of the Fiscal Years during which such Notes will be Outstanding and taking into account the debt service becoming due on such Notes, the Board will be in compliance with its rate covenants under the Indenture; or

(c) the Bonds being issued are to pay costs of completing a Project for which Bonds have previously been issued and the principal amount of Bonds being issued does not exceed the amount equal to 10% of the principal amount of Bonds originally issued for such Project and reasonably allocable to the Project to be completed, as shown in a certificate of an Authorized Board Representative, and the Trustee receives:

(1) a Consultant's certificate stating that the nature and purpose of such project have not materially changed, and

(2) a certificate of an Authorized Board Representative to the effect that (A) all of the proceeds (including investment earnings on amounts in the Construction Fund allocable to such Project) of the original Bonds issued to finance such project have been or will be used to pay Costs of the Project, and (B) the then estimated Costs of the Project exceed the sum of the Costs of the Project already paid plus moneys available in the Construction Fund established for the Project (including unspent proceeds of Bonds previously issued for such purpose).

No Personal Liability of Board Members and Officials; Limited Liability of Board to Bondholders

No covenant or agreement contained in the Bonds or the Senior Lien Indenture shall be deemed to be the covenant or agreement of any present or future board member, official, officer, agent or employee of the Board, in his individual capacity, and neither the members of the Board, the officers and employees of the Board, 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.

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APPENDIX B-3

DEBT SERVICE RESERVE SURETY POLICY FOR INTERMEDIATE LIEN COMMON RESERVE FUND

The following information has been furnished by National Public Finance Guarantee Corporation (“National”) for use in this Official Statement.

National does not accept any responsibility for the accuracy or completeness of any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding National and the MBIA Surety Bond as such term is defined below. Additionally, National makes no representation regarding the 2017 Intermediate Lien Bonds or the advisability of investing in the 2017 Intermediate Lien Bonds.

MBIA Insurance Corporation (“MBIA”) issued the Debt Service Reserve Fund Surety Bond number 503860 (the “MBIA Surety Bond”) which remains in full force and effect. National is the reinsurer of the MBIA Surety Bond pursuant to the Quota Share Reinsurance Agreement (the “Reinsurance Agreement”), effective as of January 1, 2009, by and between MBIA and MBIA Insurance Corp. of Illinois, renamed National Public Finance Guarantee Corporation. The Reinsurance Agreement provides a cut-through provision enabling covered policyholders, including holders of the Surety Bond, to make claims for payment directly against National, and authorizes National to administer each of the policies covered under the Reinsurance Agreement. Pursuant to the Administrative Service Agreement, by and between MBIA and National, dated February 17, 2009 (the “Administrative Services Agreement”), National has assumed all rights in connection with the surveillance of the Surety Bond and has the power of attorney for MBIA to execute all documents related to the Surety Bond as agent for MBIA.

National Public Finance Guarantee Corporation

National is an 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 National. National is domiciled in the State of New York and is 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 Territory of Guam and the U.S. Virgin Islands.

The principal executive offices of National are located at 1 Manhattanville Road, Suite 301, Purchase, New York 10577 and the main telephone number at that address is (914) 765-3333.

Regulation

As a financial guaranty insurance company licensed to do business in the State of New York, National is also subject to the New York Insurance Law which, among other things, prescribes minimum capital requirements and contingency reserves against liabilities for National, limits the classes and concentrations of investments that are made by National and requires the approval of policy rates and forms that are employed by National. State law also regulates the amount of both the aggregate and individual risks that may be insured by National, the payment of dividends by National, changes in control with respect to National and transactions among National and its affiliates.

The National Insurance Policy is not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

Financial Strength Ratings of National

National's current financial strength ratings from the major rating agencies are summarized below:

<u>Agency</u>	<u>Ratings</u>	<u>Outlook</u>
S&P	AA-	On June 6, 2017, S&P placed its 'AA-' financial strength rating on CreditWatch with negative implications
Moody's	A3	Negative
KBRA	AA+	Stable

Each rating of National should be evaluated independently. The ratings reflect the respective rating agency's current assessment of the creditworthiness of National 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 2017 Intermediate Lien 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 2017 Intermediate Lien Bonds. National does not guaranty the market price of the 2017 Intermediate Lien Bonds nor does it guaranty that the ratings on the 2017 Intermediate Lien Bonds will not be revised or withdrawn.

Recent Litigation

In the normal course of operating its business, National may be involved in various legal proceedings. Additionally, MBIA Inc. may be involved in various legal proceedings that directly or indirectly impact National. For additional information concerning material litigation involving National and MBIA Inc., see MBIA Inc.'s Annual Report on Form 10-K for the year ended December 31, 2016 and Quarterly Report on Form 10-Q for the quarter ended March 31, 2017, which is hereby incorporated by reference into this Official Statement and shall be deemed to be a part hereof, as well as the information posted on MBIA Inc.'s web site at <http://www.mbia.com>.

MBIA Inc. and National are defending against/pursuing the aforementioned actions and expect ultimately to prevail on the merits. There is no assurance, however, that they will prevail in these actions. Adverse rulings in these actions could have a material adverse effect on National's ability to implement its strategy and on its business, results of operations and financial condition.

Other than as described above and referenced herein, there are no other material lawsuits pending or, to the knowledge of National, threatened, to which National is a party.

National Financial Information

Based upon statutory financials, as of March 31, 2017, National had total net admitted assets of \$4.4 billion (unaudited), total liabilities of \$1.6 billion (unaudited), and total surplus of \$2.8 billion (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

For further information concerning National, see the financial statements of MBIA Inc. and its subsidiaries as of December 31, 2016, prepared in accordance with generally accepted accounting

principles, included in the Annual Report on Form 10-K of MBIA Inc. for the year ended December 31, 2016, which are hereby incorporated by reference into this Official Statement and shall be deemed to be a part hereof.

Incorporation of Certain Documents by Reference

The following documents filed by MBIA Inc. with the Securities and Exchange Commission (the “SEC”) are incorporated by reference into this Official Statement:

MBIA Inc.’s Annual Report on Form 10-K for the year ended December 31, 2016; and

MBIA Inc.’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2017.

Any documents, including any financial statements of National that are included therein or attached as exhibits thereto, or any Form 8-K, filed by MBIA Inc. pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of MBIA Inc.’s most recent Quarterly Report on Form 10-Q or Annual Report on Form 10-K, and prior to the termination of the offering of the 2017 Intermediate Lien Bonds offered hereby shall be deemed to be incorporated by reference in this Official Statement and to be a part hereof from the respective dates of filing such documents.

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

MBIA Inc., files annual, quarterly and special reports, information statements and other information with the SEC under File No. 1-9583. Copies of MBIA Inc.’s SEC filings (MBIA Inc.’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2017 and MBIA Inc.’s Annual Report on Form 10-K for the year ended December 31, 2016) are available (i) over the Internet at the SEC’s web site at <http://www.sec.gov>; (ii) at the SEC’s public reference room in Washington D.C.; (iii) over the Internet at MBIA Inc.’s web site at <http://www.mbia.com>; and (iv) at no cost, upon request to National at its principal executive offices.

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.

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APPENDIX C

BOOK-ENTRY SYSTEM

DTC will act as securities depository for the 2017 Intermediate Lien Bonds. The 2017 Intermediate Lien Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered 2017 Intermediate Lien Bond certificate will be issued for each maturity of the 2017 Intermediate Lien Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of 2017 Intermediate Lien Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2017 Intermediate Lien Bonds on DTC's records. The ownership interest of each actual purchaser of a 2017 Intermediate Lien Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2017 Intermediate Lien Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 2017 Intermediate Lien Bonds, except in the event that use of the book-entry system for the 2017 Intermediate Lien Bonds is discontinued.

To facilitate subsequent transfers, all 2017 Intermediate Lien Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of 2017 Intermediate Lien Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2017 Intermediate Lien Bonds; DTC's records reflect only the identity of the Direct Participants to whose

accounts such as 2017 Intermediate Lien Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the 2017 Intermediate Lien Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2017 Intermediate Lien Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Intermediate Lien Master Trust Indenture. For example, Beneficial Owners of 2017 Intermediate Lien Bonds may wish to ascertain that the nominee holding the 2017 Intermediate Lien Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Intermediate Lien Trustee and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 2017 Intermediate Lien Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2017 Intermediate Lien Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Intermediate Lien Trustee as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2017 Intermediate Lien Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, interest and redemption payments on the 2017 Intermediate Lien Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Board or the Intermediate Lien Trustee on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with bonds held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Intermediate Lien Trustee or the Board, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, interest and redemption proceeds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Intermediate Lien Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the 2017 Intermediate Lien Bonds at any time by giving reasonable notice to the Port or the Intermediate Lien Trustee. Under such circumstances, in the event that a successor depository is not obtained, the 2017 Intermediate Lien Bonds certificates are required to be printed and delivered.

The Port may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, the 2017 Intermediate Lien Bonds certificates will be printed and delivered to DTC.

The information in this Section concerning DTC and DTC's book-entry system has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the Underwriters or the Board.

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APPENDIX D

FORM OF APPROVING OPINION OF BOND COUNSEL

[Closing Date]

Board of Port Commissioners of the City of Oakland, California
Oakland, California

Port of Oakland, California
Intermediate Lien Refunding Revenue Bonds

\$95,875,000	\$88,985,000
2017 Series D (Private Activity/AMT)	2017 Series E (Governmental/Non-AMT)

\$30,735,000	\$38,355,000
2017 Series F (Private Activity/Non-AMT)	2017 Series G (Federally Taxable)

(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the City of Oakland, acting by and through its Board of Port Commissioners (the “Board”), in connection with the issuance of the Port of Oakland, California Intermediate Lien Refunding Revenue Bonds 2017 Series D (Private Activity/AMT) (the “Series D Bonds”) in the aggregate principal amount of \$95,875,000, the Port of Oakland, California Intermediate Lien Refunding Revenue Bonds 2017 Series E (Governmental/Non-AMT) (the “Series E Bonds”) in the aggregate principal amount of \$88,985,000, the Port of Oakland, California Intermediate Lien Refunding Revenue Bonds 2017 Series F (Private Activity/Non-AMT) (the “Series F Bonds”) in the aggregate principal amount of \$30,735,000 and the Port of Oakland, California Intermediate Lien Refunding Revenue Bonds 2017 Series G (Federally Taxable) (the “Series G Bonds”) in the aggregate principal amount of \$38,355,000. The Series D Bonds, the Series E Bonds and the Series F Bonds are referred to collectively herein as the “Series 2017 Tax-Exempt Bonds.” The Series 2017 Tax-Exempt Bonds and the Series G Bonds are referred to collectively herein as the “Series 2017 Bonds.”

The Series 2017 Bonds are issued pursuant to an Intermediate Lien Master Trust Indenture, dated as of October 1, 2007 (as supplemented to the date hereof, the “Master Trust Indenture”), between the Board and U.S. Bank National Association, as trustee (the “Trustee”), and a Third Supplemental Intermediate Lien Trust Indenture, dated as of August 1, 2017 (the “Third Supplemental Indenture” and, together with the Master Trust Indenture, the “Indenture”), between the Board and the Trustee. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture. In such connection, we have reviewed the Indenture; the Tax Certificate of the Board, dated the date hereof (the “Tax Certificate”); opinions of counsel to the Board and the Trustee; certificates of the Board, the Trustee and others; and such other

documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Series 2017 Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Board. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Indenture and the Tax Certificate including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Series 2017 Tax-Exempt Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Series 2017 Bonds, the Indenture, and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against cities in the State of California. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the assets described in or as subject to the lien of the Indenture or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such assets. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Series 2017 Bonds and express no opinion with respect thereto.

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

1. The Series 2017 Bonds constitute the valid and binding limited obligations of the Board.
2. The Indenture has been duly executed and delivered by, and constitutes the valid and binding obligation of, the Board. The Indenture creates a valid pledge to secure the

payment of the Series 2017 Bonds of the Intermediate Lien Pledged Revenues and all moneys or securities held by the Trustee under the Indenture (excluding moneys and securities on deposit in any Rebate Fund), subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture.

3. Interest on the Series 2017 Tax-Exempt Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “1986 Code”) or Section 103 of the Internal Revenue Code of 1954, as amended (the “1954 Code”) and Title XIII of the Tax Reform Act of 1986 (the “1986 Act”), except that no opinion is expressed as to the status of interest on any Series D Bond or Series F Bond for any period that such Series D Bond or Series F Bond is held by a “substantial user” of the facilities financed or refinanced by the Series D Bonds or Series F Bonds or by a “related person” within the meaning of Section 147(a) of the 1986 Code (with respect to the Series D Bonds) or the meaning of Section 103(b)(13) of 1954 Code (with respect to the Series F Bonds). We observe, however, that interest on the Series D Bonds is a specific preference item for purposes of the federal individual and corporate alternative minimum taxes. Interest on the Series E Bonds and Series F Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. We observe that interest on the Series G Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the 1986 Code or Section 103 of the 1954 Code and Title XIII of the 1986 Act. Interest on the Series 2017 Bonds is exempt from State of California personal income taxes. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Series 2017 Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

per

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APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the City of Oakland, acting by and through the Board of Port Commissioners (the “Board”), in connection with the issuance of the Port of Oakland, California Intermediate Lien Refunding Revenue Bonds 2017 Series D (Private Activity/AMT) (the “2017 Series D Intermediate Lien Bonds”), the Port of Oakland, California Intermediate Lien Refunding Revenue Bonds 2017 Series E (Governmental/Non-AMT) (the “2017 Series E Intermediate Lien Bonds”), the Port of Oakland, California Intermediate Lien Refunding Revenue Bonds 2017 Series F (Private Activity/Non-AMT) (the “2017 Series F Intermediate Lien Bonds”) and the Port of Oakland, California Intermediate Lien Refunding Revenue Bonds 2017 Series G (Federally Taxable) (the “2017 Series G Intermediate Lien Bonds”). The 2017 Series D Intermediate Lien Bonds, the 2017 Series E Intermediate Lien Bonds, the 2017 Series F Intermediate Lien Bonds and the 2017 Series G Intermediate Lien Bonds are referred to collectively herein as the “2017 Intermediate Lien Bonds.”

The 2017 Intermediate Lien Bonds are issued pursuant to an Amended and Restated Intermediate Lien Master Trust Indenture, between the Board and U.S. Bank National Association, as trustee, dated as of October 1, 2007, as amended and supplemented (the “Intermediate Lien Master Trust Indenture”), including by a Third Supplemental Intermediate Lien Trust Indenture, dated as of August 1, 2017.

The Board covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Board for the benefit of the Bondholders and Beneficial Owners and in order to assist the Participating Underwriters in complying with the Rule (as hereinafter defined).

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

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

“Beneficial Owner” shall mean any person that has or shares the power, directly or indirectly, to make any investment decisions concerning ownership of any 2017 Intermediate Lien Bonds, including persons holding 2017 Intermediate Lien Bonds through nominees, depositories or other intermediaries.

“Bondholder” or “Holder” shall mean the person in whose name any 2017 Intermediate Lien Bonds shall be registered.

“Dissemination Agent” shall mean the Board or any successor Dissemination Agent designated in writing by the Board and that has filed with the Board a written acceptance of such designation.

“Listed Events” shall mean any of the events listed in Section 5(a) or (b) of this Disclosure Certificate.

“MSRB” shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at <http://emma.msrb.org>.

“Official Statement” shall mean the Board’s Official Statement dated August 21, 2017, relating to the 2017 Intermediate Lien Bonds.

“Participating Underwriters” shall mean any of the original underwriters of the 2017 Intermediate Lien Bonds required to comply with the Rule in connection with the offering of the 2017 Intermediate Lien Bonds.

“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.

SECTION 3. Provision of Annual Reports.

(a) The Board shall, or shall cause the Dissemination Agent to, not later than 240 days after the end of the Board’s fiscal year (which is currently June 30), commencing with the report for the fiscal year ended June 30, 2017, provide to the MSRB an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate.

(1) The Board shall provide the Annual Report to the Dissemination Agent (if other than the Board) on or before the date required for filing as provided in subsection (a) above. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Board may be submitted separately from the balance of the Annual Report if they are not available by that date.

(2) If the Board’s fiscal year changes, it shall give notice of such change in a filing with the MSRB. The Annual Report shall be submitted on a form that can be accepted for filing by the MSRB and shall identify the 2017 Intermediate Lien Bonds by name and CUSIP number.

(b) If the Board is unable to provide to the MSRB or to the Dissemination Agent (if other than the Board) an Annual Report by the date required in subsection (a), the Board shall send, or cause to be sent, a notice to the MSRB in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall (if the Dissemination Agent is other than the Board) file a report with the Board certifying that the Annual Report has been provided to the MSRB pursuant to the Disclosure Certificate and stating the date it was provided.

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

(a) The audited financial statements of the Board for the prior fiscal year, prepared in accordance with Generally Accepted Accounting Principles applicable to governmental entities. If the Board's audited financial statements are not available by the time the Annual Report is required to be provided pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in the format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be provided to the MSRB in the same manner as the Annual Report when they become available.

(b) To the extent not included in the audited financial statements of the Board (and without duplication), historical financial information and operating data of the Board of the types listed below (for the avoidance of doubt, although projections are included in the Official Statement, no new projections shall be required for the Annual Reports):

- Table 6 – “Port of Oakland, Oakland International Airport Historical Enplanements by Airline”
- Table 7 – “Port of Oakland, Oakland International Airport Historical Landed Weight by Air Carrier”
- Table 8 – “Port of Oakland, Oakland International Airport Air Cargo Volumes”;
- Table 10 – “Port of Oakland, Oakland International Airport Categories of Operating Revenue”
- Table 11 – “Port of Oakland, Oakland International Airport Top Ten Individual Sources of Aviation Operating Revenue”
- Percentage of total cargo (in TEUs) handled at the Seaport constituting imports for such year
- Table 12 – “Port of Oakland, Maritime Division Containerized Cargo”
- Table 13 – “Port of Oakland Maritime Division Categories of Operating Revenue”
- Table 14 – “Port of Oakland Maritime Division Top Ten Sources of Maritime Operating Revenue”
- Table 17 – “Port of Oakland Commercial Real Estate Division Major Sources of Operating Revenue”

- Table 18 – “Port of Oakland Commercial Real Estate Division Top Ten Sources of Commercial Real Estate Operating Revenue”
- Table 19 – “Port of Oakland Historical Statement of Revenues, Expenses and Changes in Net Position”
- Table 21 – “Port of Oakland Historical Bond Debt Service Coverage”
- Employer contributions to CalPERS and employer contributions to OPEB Plan for such year

Any or all of the items listed above may be incorporated by reference to other documents, including official statements of debt issues of the Board or related public entities, which have been made available to the public on the MSRB’s website. The Board shall clearly identify each such other document so incorporated by reference.

The Board reserves the right to modify from time to time the format of the presentation of information provided pursuant to this Section to the extent necessary or appropriate in the judgment of the Board, provided that, in the Board’s discretion, such modification shall be consistent with the Rule and the purposes of this Disclosure Certificate.

SECTION 5. Reporting of Significant Events.

(a) The Board shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the 2017 Intermediate Lien Bonds in a timely manner not later than ten business days after the occurrence of the event:

- (1) Principal and interest payment delinquencies;
- (2) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (3) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (4) Substitution of credit or liquidity providers, or their failure to perform;
- (5) Adverse tax opinions, issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB);
- (6) Tender offers;
- (7) Defeasances;
- (8) Rating changes; or

(9) Bankruptcy, insolvency, receivership or similar event of the Board¹.

(b) The Board shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the 2017 Intermediate Lien Bonds, if material, in a timely manner not later than ten business days after the occurrence of the event:

(1) Unless described in paragraph 5(a)(5), adverse tax opinions or other material notices or determinations by the Internal Revenue Service with respect to the tax status of the 2017 Intermediate Lien Bonds or other material events affecting the tax status of the 2017 Intermediate Lien Bonds;

(2) Modifications to rights of the Bondholders;

(3) Optional, unscheduled or contingent 2017 Intermediate Lien Bond calls;

(4) Release, substitution or sale of property securing repayment of the 2017 Intermediate Lien Bonds.

(5) Non-payment related defaults;

(6) The consummation of a merger, consolidation, or acquisition involving the Board or the sale of all or substantially all of the assets of the Board, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; or

(7) Appointment of a successor or additional trustee or the change of name of a trustee.

(c) Whenever the Board obtains knowledge of the occurrence of a Listed Event described in Section 5(b), the Board shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) If the Board learns of the occurrence of a Listed Event described in Section 5(a), or determines that a Listed Event described in Section 5(b) would be material under applicable federal securities laws, the Board shall, or shall cause the Dissemination Agent to, promptly file within ten business days after the occurrence a notice of such occurrence with the MSRB. Notwithstanding the foregoing, notice of the Listed Events described in subsections (a)(7) or (b)(3) need not be given under this subsection any earlier than the notice (if any) of the

¹ For the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Board in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Board, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Board.

underlying event given to Holders of affected 2017 Intermediate Lien Bonds pursuant to the Intermediate Lien Master Trust Indenture.

SECTION 6. Format for Filings with MSRB. Any report or filing with the MSRB pursuant to this Disclosure Certificate must be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB.

SECTION 7. Termination of Reporting Obligation. The Board's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the 2017 Intermediate Lien Bonds. If such termination occurs prior to the final maturity of the 2017 Intermediate Lien Bonds, the Board shall give notice of such termination in the same manner as for a Listed Event under Section 5(d).

SECTION 8. Dissemination Agent. The Board 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 Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent (if other than the Board) shall be entitled to reasonable compensation for its services hereunder and reimbursement of its out-of-pocket expenses (including but not limited to attorneys' fees). The Dissemination Agent (if other than the Board) shall not be responsible in any manner for the content of any notice or report prepared by the Board pursuant to this Disclosure Certificate. The initial Dissemination Agent shall be DAC Bond.

SECTION 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Board may amend this Disclosure Certificate and any provision of this Disclosure Certificate may be waived, if the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Section 3(a), 4, 5(a) or 5(b), it may only be made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, change in law (including rules or regulations) or the interpretation thereof, or change in the identity, nature, or status of the Board, or type of business conducted by the Board;

(b) the undertakings herein, as proposed to be 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 primary offering of the 2017 Intermediate Lien Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interest of the Holders or Beneficial Owners of the 2017 Intermediate Lien Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the Board 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 Board. 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 a filing with the MSRB, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative, qualitative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Board 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 required to be filed pursuant to this Disclosure Certificate, in addition to that which is required by this Disclosure Certificate. If the Board chooses to include any information in any Annual Report or notice in addition to that which is specifically required by this Disclosure Certificate, the Board shall have no obligation under this Disclosure Certificate to update such information or to include it in any future Annual Report or notice of occurrence of a Listed Event or any other event required to be reported.

SECTION 11. Default. In the event of a failure of the Board to comply with any provision of this Disclosure Certificate, any Bondholder or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Board to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default under the Intermediate Lien Master Trust Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the Board to comply with the Disclosure Certificate shall be an action to compel performance.

SECTION 12. 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 Board 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 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 Board under this Section shall survive resignation or removal of the Dissemination Agent and payment of the 2017 Intermediate Lien Bonds.

SECTION 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Board, the Dissemination Agent, the Participating Underwriters and the Holders and Beneficial Owners from time to time of the 2017 Intermediate Lien Bonds, and shall create no rights in any other person or entity.

Dated: August __, 2017

THE CITY OF OAKLAND, acting by and
through its Board of Port of Commissioners

By: _____
Authorized Signatory
Title

Approved as to form and
legality this ___ day of _____, 2017.

Port Attorney

Port Resolution No.

EXHIBIT A

**FORM OF NOTICE TO THE MUNICIPAL SECURITIES RULEMAKING BOARD OF
FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: Port of Oakland, California

Name of Bond Issue: Port of Oakland Intermediate Lien Refunding Revenue Bonds 2017 Series

Date of Issuance: August ____, 2017

NOTICE IS HEREBY GIVEN that the City of Oakland, acting by and through its Board of Port Commissioners (the "Board"), has not provided an Annual Report with respect to the above-named Bonds as required by Section 4 of the Continuing Disclosure Certificate of the Board, dated August __, 2017. [The Board anticipates that the Annual Report will be filed by ____].

Date: _____, _____

THE CITY OF OAKLAND, acting by and
through its Board of Port Commissioners

By: _____
Authorized Signatory
Title

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APPENDIX F

CERTAIN ECONOMIC AND DEMOGRAPHIC INFORMATION

General

The Port of Oakland (the “Port”) is located within the City of Oakland and the County of Alameda, the second most populous county in the Bay Area behind the County of Santa Clara. For purposes of this Appendix F, the Bay Area includes the counties of Alameda, San Francisco, Contra Costa, Marin, Napa, San Mateo, Santa Clara, Solano and Sonoma (“Bay Area”).

Historic Population and Employment Trends

Historical and current population estimates for the Bay Area is given below.

Table F-1
Historical Population By County⁽¹⁾

<u>County</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Alameda	1,532,019	1,555,542	1,581,226	1,608,868	1,632,747	1,647,704
City and County of San Francisco	815,672	828,816	839,280	850,424	862,004	870,887
Contra Costa	1,066,126	1,078,242	1,094,030	1,108,996	1,123,231	1,135,127
Marin	255,457	256,064	258,506	260,516	261,054	260,651
Napa	137,940	138,898	140,102	141,097	141,854	142,166
San Mateo	728,919	739,982	748,952	756,819	763,191	764,797
Santa Clara	1,812,868	1,838,988	1,866,961	1,889,824	1,910,105	1,919,402
Solano	416,486	419,881	423,972	429,601	434,321	440,207
Sonoma	487,641	490,509	494,657	499,168	501,474	503,070
Total	7,253,128	7,346,922	7,447,686	7,545,313	7,629,981	7,684,011

⁽¹⁾ Estimates are as of July 1 of each year.

Source: U.S. Census Bureau, Population Division.

Industry and Employment

The following table presents employment data for certain major employers in 2016.

Table F-2
Major Employers⁽¹⁾

<u>Employer</u>	<u>Number of Bay Area Employees⁽²⁾</u>
Kaiser Permanente	40,132
Safeway, Inc.	16,778
Wells Fargo & Co.	14,986
Stanford University	13,634
United Airlines	10,500
PG&E Corp.	10,411
Genetech Inc.	10,000
UPS	8,000
Oracle	6,750
Gap Inc.	6,591
Chevron Corp.	6,276
Salesforce	6,199
John Muir Health	6,181
Facebook Inc.	6,068
California Pacific Medical Center, Pacific Campus	6,000
Stanford Health Care	5,900
Starbucks Coffee Co.	5,000
Lam Research Corp.	4,500
Alta Bates Summit Medical Center, Summit Campus	4,122
SAP	4,000

⁽¹⁾ Includes nonprofit, private and publicly held companies in the "Bay Area," which for purposes of this table includes the counties of Alameda, Contra Costa, Marin, San Francisco and San Mateo, and the City of Palo Alto. The list does not include public agencies.

⁽²⁾ Ranked by total headcount.

Source: San Francisco Business Times; information for the list was obtained from company representatives and websites from December 2015 through May 2016.

The table on the following page shows below average industry employment and labor force data for the Bay Area.

Table F-3
Average Industry Employment and Labor Force
Bay Area
(Not Seasonally Adjusted)

	County Average ⁽¹⁾								
	Alameda ⁽²⁾	Contra Costa ⁽²⁾	Marin ⁽³⁾	Napa ⁽³⁾	San Francisco ⁽²⁾	San Mateo ⁽²⁾	Santa Clara ⁽²⁾	Solano ⁽³⁾	Sonoma ⁽³⁾
TOTAL NONFARM	745,900	349,200	114,700	71,000	668,700	382,400	1,028,600	135,900	201,600
TOTAL FARM	400	800	300	5,000	200	1,800	3,600	1,800	6,200
Goods Producing	112,100	37,800	11,200	16,100	28,800	48,600	201,800	22,200	35,000
Mining, Logging and Construction	40,600	22,700	6,700	4,100	18,500	23,100	42,300	10,400	12,700
Manufacturing	71,500	15,200	4,500	12,000	10,300	25,500	159,400	11,800	22,300
Service Providing	633,900	311,400	103,500	54,900	639,900	333,800	826,800	113,600	166,600
Trade, Transportation, and Utilities	136,500	62,400	18,600	10,100	74,900	74,300	135,800	27,300	36,700
Information	14,100	8,300	2,600	400	31,700	28,100	74,700	1,100	2,700
Financial Activities	23,400	26,200	6,300	2,400	52,000	21,600	35,000	5,200	8,500
Professional and Business Services	132,700	50,200	18,500	6,900	184,600	76,500	214,900	10,100	21,100
Educational and Health Services	114,500	63,900	20,600	9,900	85,700	44,300	155,400	25,600	33,100
Leisure and Hospitality	67,900	38,400	16,000	12,600	93,300	42,500	94,500	15,000	25,000
Other Services	25,500	12,600	5,400	2,100	26,200	14,000	26,700	4,200	7,300
Government	119,300	49,400	15,500	10,500	91,600	32,700	89,900	25,200	32,400

⁽¹⁾ Totals may not foot due to rounding.

⁽²⁾ Data available for calendar year 2015.

⁽³⁾ Data available for calendar year 2016.

Source: Employment Development Department, Labor Market Division.

The following tables shows the historical unemployment statistics for the Bay Area.

Table F-4
Historical Unemployment Rate⁽¹⁾

<u>County</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Alameda	10.1%	8.7%	7.2%	5.8%	4.7%	4.2%
City and County of San Francisco	8.1	6.8	5.5	4.4	3.6	3.3
Contra Costa	10.3	8.9	7.5	6.2	5.0	4.4
Marin	7.3	6.3	5.2	4.3	3.5	3.2
Napa	9.8	8.4	6.9	5.7	4.6	4.3
San Mateo	7.5	6.4	5.3	4.2	3.4	3.0
Santa Clara	9.3	7.9	6.5	5.2	4.2	3.8
Solano	12.2	10.7	9.1	7.5	6.1	5.5
Sonoma	10.2	8.9	7.1	5.6	4.5	4.0

⁽¹⁾ As of April 21, 2017.

Source: Bureau of Labor Statistics.

Table F-5
Historical Unemployment⁽¹⁾

<u>County</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Alameda	79,375	69,367	57,972	47,071	38,770	35,530
City and County of San Francisco	39,899	34,511	28,142	23,144	19,695	18,206
Contra Costa	54,540	47,899	40,289	33,346	27,360	24,639
Marin	9,775	8,601	7,142	5,932	4,922	4,567
Napa	6,914	6,061	5,037	4,173	3,402	3,127
San Mateo	30,032	26,395	21,964	18,021	14,811	13,436
Santa Clara	87,425	75,299	62,741	51,087	41,945	38,620
Solano	24,622	21,677	18,401	15,284	12,544	11,355
Sonoma	25,213	21,819	17,741	14,389	11,541	10,296

⁽¹⁾ As of April 21, 2017.

Source: Bureau of Labor Statistics.

Personal Income

The following table presents personal income and per capita personal income for Bay Area counties.

Table F-6
Personal Income and Per Capita Personal Income within the Bay Area
2013 through 2015

<u>County</u>	<u>Personal Income</u> <u>(Thousands of Dollars)</u>			<u>2013-2015</u> <u>Change</u>	<u>Per Capita Personal Income</u>			<u>2013-2015</u> <u>Change</u>
	<u>2013</u>	<u>2014</u>	<u>2015</u>		<u>2013</u>	<u>2014</u>	<u>2015</u>	
Alameda	86,610,728	93,290,149	101,370,460	17%	54,684	57,842	61,879	13%
City and County of San Francisco	74,676,689	83,120,429	89,533,450	20%	88,825	97,498	103,529	17%
Contra Costa	66,607,757	69,526,509	74,756,916	12%	60,776	62,540	66,348	9%
Marin	25,045,431	26,926,803	28,492,821	14%	96,868	103,346	109,076	13%
Napa	7,620,183	8,143,210	8,758,573	15%	54,270	57,528	61,483	13%
San Mateo	65,192,835	69,717,150	74,641,211	14%	86,911	91,935	97,553	12%
Santa Clara	135,181,879	147,251,454	158,728,715	17%	72,246	77,663	82,756	15%
Solano	17,111,870	17,921,605	19,407,853	13%	40,285	41,602	44,504	10%
Sonoma	23,692,352	25,073,916	26,874,652	13%	47,859	50,181	53,520	12%

Source: U.S. Bureau of Economic Analysis, November 2016.

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