

OFFICIAL NOTICE OF SALE

\$15,675,000*
TOWN OF LOS GATOS
2010 CERTIFICATES OF PARTICIPATION
(LIBRARY PROJECT)

NOTICE IS HEREBY GIVEN by the Town of Los Gatos (the "Town") that bids will be for the purchase of \$15,675,000* principal amount of Town of Los Gatos 2010 Certificates of Participation (Library Project) (the "Certificates"). The bids will be received at the place, in the manner and up to the time and date specified below, provided, however, that the Town reserves the right to postpone or change the sale date upon twenty (20) hours prior notice delivered via Thompson Municipal News or Bloomberg Business News:

DATE AND TIME: 9:00 A.M. California Time on Thursday, May 20, 2010, and, so long as a proposal has not theretofore been accepted by the Town, at such time on any date thereafter without further advertising.

ELECTRONIC BIDS: Bid proposals must be submitted electronically through PARITY[®] as provided in this Official Notice of Sale.

The Certificates will be delivered under the provisions of a Trust Agreement (the "Trust Agreement") among the Town, the Los Gatos Redevelopment Agency (the "Agency") and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"). The Certificates represent the direct, undivided fractional interests of the owners thereof in Lease Payments to be made by the Town under a Lease Agreement (the "Lease Agreement") between the Agency and the Town. The Certificates are more particularly described in the proposed form of the Trust Agreement on file with the Town (which is incorporated herein by reference) and copies thereof will be furnished to the bidder upon request.

DESCRIPTION OF THE CERTIFICATES

PURPOSE: The proceeds of the Certificates will be applied to finance the construction and development of a new library for the Town.

ISSUE; BOOK-ENTRY FORM: The Certificates will be issued in the aggregate principal amount of \$15,675,000*, in the form of fully registered Certificates without coupons. The Certificates will be dated as of the delivery date, and will be issued in minimum denominations of \$5,000. The Certificates will be issued in a book entry only system with no physical distribution of the Certificates made to the public. The Depository Trust Company, New York, New York ("DTC"), will act as depository for the Certificates. The Certificates will be registered in the name of Cede & Co., as nominee for DTC, on behalf of the participants in the DTC system and the subsequent beneficial owners of the Certificates.

MATURITIES: The Certificates will mature, or be subject to mandatory sinking fund prepayment, on each of the dates and in the amounts, as set forth in the following table. The final principal amount of the Certificates, and the final amount of each maturity of the Certificates, will be subject to increase or reduction as described below under the heading "Adjustment of Principal Amounts". *Each bidder is required to specify in its bid whether, for any*

particular year, the Certificates will mature or, alternately, be subject to mandatory sinking fund prepayment in such year.

<u>Maturity (August 1)</u>	<u>Principal Amount (\$)</u>	<u>Maturity (August 1)</u>	<u>Principal Amount (\$)</u>
2011	530,000	2020	865,000
2012	650,000	2021	900,000
2013	670,000	2022	935,000
2014	695,000	2023	975,000
2015	715,000	2024	1,020,000
2016	745,000	2025	1,065,000
2017	770,000	2026	1,115,000
2018	800,000	2027	1,170,000
2019	830,000	2028	1,225,000

The schedule of Principal Amounts is subject to adjustment based upon the interest rates specified in the winning bid, as described below under “ADJUSTMENT OF PRINCIPAL AMOUNTS.”

PAYMENT PROVISIONS: Interest represented by the Certificates will be payable on each February 1 and August 1, commencing February 1, 2011 (the “Interest Payment Dates”), to the registered owners by check or draft of the Trustee or, in the case of any registered owner of Certificates in an aggregate principal amount of at least \$1,000,000, at the written request of such owner by wire transfer. Principal of and premium (if any) on any Certificate will be paid upon presentation and surrender thereof at the corporate trust office of the Trustee in San Francisco or Los Angeles, California. The principal, interest and premium (if any) represented by the Certificates are payable in lawful money of the United States of America.

OPTIONAL PREPAYMENT: The Certificates maturing on or before August 1, 2019, are not subject to prepayment prior to their respective stated maturities. The Certificates maturing on or after August 1, 2020, are subject to prepayment prior to maturity, at the option of the Town, in whole or in part, from any available source of funds, on August 1, 2019, and on any date thereafter, at a prepayment price (expressed as a percentage of the principal amount of Certificates to be prepaid) as set forth in the following table, together with accrued interest represented thereby to the date fixed for prepayment.

<u>Prepayment Dates</u>	<u>Prepayment Price</u>
August 1, 2019 through July 31, 2020	101%
August 1, 2020 and thereafter	100

SINKING FUND PREPAYMENT: Any bidder may, at its option, specify that one or more maturities of the Certificates will consist of term Certificates which are subject to mandatory sinking fund prepayment in consecutive years immediately preceding the maturity thereof, as designated in the bid of such bidder. If the bid of the successful bidder specifies that any maturity of Certificates will be term Certificates, such term Certificates will be subject to mandatory sinking fund prepayment on August 1 in each year so designated in the bid, in the respective amounts for such years as set forth above under the heading “MATURITIES”, at a prepayment price equal to the principal amount thereof to be prepaid together with accrued interest thereon to the prepayment date, without premium.

SECURITY: The Certificates represent the direct, undivided fractional interests of the owners thereof in Lease Payments to be made by the Town under the Lease Agreement. The

Town is obligated pursuant to the Lease Agreement to pay such lease payments from any source of legally available funds of the Town. The Town has covenanted in the Lease Agreement to include the lease payments in each of its budgets and to make the necessary appropriations for the lease payments during the term of the Lease Agreement. Bidders should be aware of certain factors affecting the ability of the Town to pay the lease payments when due, and bidders are referred to the Official Statement for further details.

TAX-EXEMPT STATUS: In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, special counsel to the Town, interest represented by the Certificates is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal individual and corporate alternative minimum taxes, although it is included in certain income and earnings in computing the alternative minimum tax imposed on certain corporations. In the event that prior to the delivery of the Certificates (a) the interest represented by other obligations of the same type and character shall be declared to be taxable (either at the time of such declaration or at any future date) under any federal income tax laws, either by the terms of such laws or by ruling of a federal income tax authority or official which is followed by the Internal Revenue Service, or by decision of any federal court, or (b) any federal income tax law is adopted which will have a substantial adverse effect upon owners of the Certificates as such, the successful bidder for the Certificates may, at its option, prior to the tender of the Certificates, be relieved of its obligation under the contract to purchase the Certificates, and in such case the deposit accompanying its proposal will be returned.

Further, the Lease Agreement is a "qualified tax-exempt obligation" within the meaning of section 265(b)(3) of the Internal Revenue Code of 1986 (the "Code") such that, in the case of certain financial institutions (within the meaning of section 265(b)(5) of the Code), a deduction for federal income tax purposes is allowed for 80% of that portion of such financial institution's interest expense allocable to interest payable with respect to the Certificates

SPECIAL COUNSEL OPINION: The legal opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Special Counsel, approving the validity of the Certificates and the related financing documents, will be furnished to the purchaser of the Certificates without cost. A copy of the proposed opinion of that firm is attached as an appendix to the Preliminary Official Statement. Bidders are referred to the Preliminary Official Statement for further detail.

FURTHER INFORMATION: A copy of the preliminary Official Statement describing the Certificates, and any other information concerning the proposed financing, will be furnished upon request to the Agency's Financial Advisor, E. Wagner & Associates, Inc., 5424 Sunol Boulevard, #10-257, Pleasanton, California 94566, telephone (925) 416-1200; email: ewagner@e-wagner.net.

TERMS OF SALE

FORM OF BID; MAXIMUM DISCOUNT: All bids must be for not less than all of the Certificates hereby offered for sale and for not less than ninety-nine percent (99%)] of the aggregate par value thereof. Bidders may submit only one bid. All bids must comply with the requirement for a good faith deposit. See "GOOD FAITH DEPOSIT" herein.

ELECTRONIC BIDS. Electronic bids must conform with the procedures established by PARITY. Solely as an accommodation to bidders, electronic bids will be received exclusively

through PARITY in accordance with this Official Notice of Sale, but no bid will be received after the time specified for receiving bids. To the extent any instructions or directions set forth in PARITY conflict with this Official Notice of Sale, the terms of this Official Notice of Sale shall control. For further information about PARITY, potential bidders may contact the Agency's Financial Advisor, E. Wagner & Associates, Inc., 5424 Sunol Boulevard, #10-257, Pleasanton, California 94566, telephone (925) 416-1200; email: ewagner@e-wagner.net, or Dalcomp/i-Deal LLC at 1359 Broadway, 2nd Floor, New York, NY 10018; Telephone: (212) 849-5021.

DESIGNATION OF INTEREST RATES: Each bidder must specify the rate or rates of interest to be represented by the Certificates. A bidder will be permitted to bid different rates of interest for each maturity of Certificates; but (i) no Certificate may represent more than one rate of interest; (ii) interest represented by each Certificate will be computed from the delivery date to its stated maturity at the interest rate specified in the proposal, payable on the Interest Payment Dates as set forth above; (iii) all Certificates maturing at any one time must represent the same rate of interest through maturity; and (iv) any premium must be paid as part of the purchase price, and no proposal will be accepted which contemplates the waiver of any interest or other concession by the bidder as a substitute for payment in full of the purchase price. In addition, each bid must comply with the following requirements:

- each interest rate specified must be in a multiple of 1/20% or 1/8%;
- the maximum rate bid on any maturity of the Certificates may not exceed the minimum rate bid on any maturity of the Certificates by more than 4%; and
- the maximum rate bid on any maturity of the Certificates may not exceed 12% per annum.

DETERMINATION OF BEST BID: The Certificates will be awarded to the responsible bidder whose bid produces the lowest true interest rate on the Certificates. The true interest rate specified in any bid will be that rate which, when used in computing the present value of all payments of principal and interest to be paid on all Certificates from the date of original delivery thereof (which is assumed for computational purposes to be June 3, 2010), to their respective maturity dates or mandatory sinking fund prepayment dates, produces an amount equal to the purchase price specified in such bid. For purposes of computing the true interest rate represented by any proposal, the purchase price specified in such proposal shall be equal to the par amount of the Certificates plus any premium or less any discount specified in such proposal, and the true interest rate shall be calculated by the use of a semiannual interval of compounding interest based on the Interest Payment Dates for the Certificates.

ADJUSTMENT OF PRINCIPAL AMOUNTS: The principal amounts set forth in this Official Notice of Sale reflect certain estimates of the Town and its Financial Advisor with respect to the likely interest rates of the winning bid, and the premium/discount contained in the winning bid. After selecting the winning bid, the final principal amount for each maturity is subject to adjustment in \$5,000 increments to reflect the actual interest rates, any premium/discount contained in the winning bid. The interest rates bid by the successful bidder shall not be subject to adjustment. The aggregate principal amount of the Certificates as adjusted may not exceed five percent (5%) of the total principal amount of the Certificates.

RIGHT OF REJECTION: The Town reserves the right, in its discretion, to reject any and all bids and to the extent not prohibited by law to waive any irregularity or informality in any bid.

PROMPT AWARD: The Town Council of the Town has authorized an officer of the Town to accept the best responsible bid for the purchase of the Certificates and to accept such bid, for and in the name of the Town, by notice to the successful bidder. If two or more bids setting forth identical interest rates and premium, if any, are received, such officer may exercise discretion and judgment in making the award. Such officer may also reject any and all bids and waive any irregularity or informality in any bid. The sale of the Certificates or rejection of all bids will be determined, and notice thereof given, not later than 12 hours after the expiration of the time prescribed for the receipt of proposals unless such time of award is waived by the successful bidder; provided, that the award may be made after the expiration of the specified time if the bidder shall not have given the Town notice in writing of the withdrawal of such proposal.

RIGHT TO CANCEL, POSTPONE OR RESCHEDULE SALE: The Town reserves the right to cancel, postpone or reschedule the sale of the Certificates. Any such cancellation, postponement or rescheduling will be announced through Thompson Municipal News or Bloomberg Business News not later than 12:00 o'clock noon, California time, on the last business day prior to any announced date for receipt of bids. If any date fixed for the receipt of bids and the sale of the Certificates is postponed or rescheduled, any alternative sale date and time will be announced through Thompson Municipal News or Bloomberg Business News at least 20 hours prior to such alternative sale date and time. On any such alternative sale date, bidders must submit a bid for the purchase of the Certificates in conformity in all respects with the provisions of this Official Notice of Sale except for the date of sale and except for the changes announced through Thompson Municipal News or Bloomberg Business News.

PLACE OF DELIVERY; CANCELLATION FOR LATE DELIVERY: It is expected that the Certificates will be delivered to DTC for the account of the successful bidder within 14 days from the date of sale thereof. The successful bidder will have the right, at the successful bidder's option, to cancel the contract of purchase if the Certificates are not tendered for delivery within 60 days from the date of the sale thereof, and in such event the successful bidder shall be entitled to the return of the deposit accompanying its bid.

GOOD FAITH DEPOSIT: A Good Faith Deposit ("Deposit") in the amount of \$150,000, payable to the order of the Town, is required from the successful bidder for the Certificates subsequent to the award of the sale for each bid to be considered. The successful bidder is required to wire transfer such amount not later than 11:00 a.m. California time on the next business day following the award, to the Trustee using the following wire instructions:

THE BANK OF NEW YORK
ABA #021000018
GLA 111-565
Account Name: Town of Los Gatos Good Faith Fd
Account Number: #441874

If such Deposit is not received by that time, the award of sale may be rescinded by the Town. No interest on the Deposit will accrue to the successful bidder. The Deposit will be applied to the purchase price of the Certificates. The Deposit accompanying any accepted bid shall be cashed and the proceeds thereof applied to the purchase price. In the event the successful bidder fails to honor its accepted bid, the Deposit will be retained by the Town as and for full liquidated damages.

STATEMENT OF TRUE INTEREST COST: Each bidder is requested, but not required, to state in its proposal the true interest cost represented by its proposal, determined as described

above, which shall be considered as informative only and not binding on either the bidder or the Town.

CERTIFICATION OF REOFFERING PRICE: The successful bidder for the Certificates will, as of the date of purchase of the Certificates (the "Sale Date"), certify the prices at which it reasonably expects to initially offer each maturity of the Certificates to the public (the "Initial Offering Prices"). For this purpose, the general public does not include bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers. Said certification of Initial Offering Prices will be included in a certificate to be executed by the successful bidder as of the date of execution and delivery of the Certificates (the "Underwriter's Certificate"). Further, the successful bidder, by submitting its bid, agrees that

(i) on or prior to the date of execution and delivery of the Certificates, it will actually offer one hundred percent (100%) of each maturity of the Certificates to the general public in a bona fide public offering for prices equal to or less than the Initial Offering Prices; and

(ii) as of the date of execution and delivery of the Certificates, it will make the following representations and certifications in the Underwriter's Certificate (the form of which is attached hereto as Exhibit A): (A) that, as of the Sale Date, the successful bidder, taking into account market conditions, had no reason to believe any of the Certificates would be initially sold to the general public at prices greater than the Initial Offering Prices, (B) that, as of the Sale Date, other than specifically identified maturities of the Certificates, at least 10 percent (10%) of each maturity of the Certificates was initially sold to the general public for the respective Initial Offering Prices, and (C) that, in the opinion of the successful bidder, the Initial Offering Prices do not exceed the fair market value of said maturities of the Certificates to the general public as of the Sale Date.

NO LITIGATION: There is no litigation pending concerning the validity of the Certificates, the corporate existence of the Town, or the entitlement of the officers thereof to their respective offices, and the purchaser will be furnished a no-litigation certificate certifying to the foregoing as of and at the time of delivery of the Certificates.

CUSIP NUMBERS AND OTHER FEES: It is anticipated that CUSIP numbers will be printed on the Certificates, but neither the failure to print such numbers on any Certificates nor any error with respect thereto will constitute cause for a failure or refusal by the purchaser to accept delivery of and pay for the Certificates in accordance with the terms hereof. All expenses in relation to the printing of CUSIP numbers on the Certificates will be paid for by the Town; *provided, however*, that the CUSIP Service Bureau charge for the assignment of said numbers will be the responsibility of and will be paid for by the purchaser. The successful bidder will also be required to pay all fees required by the Depository Trust Company, Bond Market Association, Municipal Securities Rulemaking Board, and other similar entity imposing a fee in connection with the issuance of the Certificates (including the California Debt and Investment Advisory Commission as described below).

CALIFORNIA DEBT AND INVESTMENT ADVISORY COMMISSION FEES: All fees payable to the California Debt and Investment Advisory Commission in connection with the issuance of the Certificates shall be the responsibility of the purchaser of the Certificates.

OFFICIAL STATEMENT: The Town has approved a Preliminary Official Statement relating to the Certificates. Copies of such Preliminary Official Statement will be distributed to

EXHIBIT A

\$ _____*
TOWN OF LOS GATOS
2010 CERTIFICATES OF PARTICIPATION
(LIBRARY PROJECT)

FORM OF
UNDERWRITER'S CERTIFICATE

The undersigned, on behalf of _____, as underwriter (the "Underwriter") of the above-captioned certificates of participation (the "Certificates"), hereby confirms our advice that:

(i) Based upon reasonable expectations and actual facts which existed on _____, being the date upon which the Town of Los Gatos (the "Town") sold the Certificates to the Underwriter (the "Sale Date"), the Underwriter reasonably expected to sell a substantial amount of each maturity of the Certificates (being at least ten percent (10%) of each maturity) to the general public (for purposes of this Certificate, "general public" excludes bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) in a bona fide public offering at the prices, or in the case of obligations sold on a yield basis, at the respective yields (together the "Initial Offering Prices") set forth in Schedule 1 attached hereto and by this reference incorporated herein (these prices are also shown of the cover of the Official Statement).

(ii) The aggregate of the Initial Offering Prices is \$_____.

(iii) The Initial Offering Prices of the Certificates of each maturity (and stated interest rate) reflected the assessment by the Underwriter of the fair market prices of the Certificates as of the Sale Date.

(iv) As of the date hereof, 100% of the Certificates of each maturity were actually offered to the general public in a bona fide public offering for the Initial Offering Prices.

(v) As of the Sale Date, the Underwriter, taking into account market conditions, had no reason to believe any of the Certificates would be initially sold to the general public at prices greater than the Initial Offering Prices.

(vi) As of the Sale Date, other than the _____, _____ and _____ maturities of the Certificates, at least 10 percent (10%) of each maturity of the Certificates was initially sold to the general public for the respective Initial Offering Prices.

(vii) The establishment of the Reserve Account in the amount of the Reserve Requirement was vital to the marketing of the Certificates and reasonably required to assure the payment of debt service with respect to the Certificates.

SCHEDULE 1

Maturity Date (August 1)	Principal Amount*	Interest Rate	Reoffering Price**
2011	\$ _____	_____	_____
2012	_____	_____	_____
2013	_____	_____	_____
2014	_____	_____	_____
2015	_____	_____	_____
2016	_____	_____	_____
2017	_____	_____	_____
2018	_____	_____	_____
2019	_____	_____	_____
2020	_____	_____	_____
2021	_____	_____	_____
2022	_____	_____	_____
2023	_____	_____	_____
2024	_____	_____	_____
2025	_____	_____	_____
2026	_____	_____	_____
2027	_____	_____	_____
2028	_____	_____	_____

*Preliminary, subject to change.

**Stated as a percentage of par.