

OFFICIAL NOTICE OF SALE

\$9,000,000

**PACIFIC GROVE UNIFIED SCHOOL DISTRICT
(Monterey County, California)
GENERAL OBLIGATION BONDS
2006 ELECTION, SERIES D**

NOTICE IS HEREBY GIVEN by the Board of Education of the Pacific Grove Unified School District (the "District"), that bids will be received by a representative of the District for the purchase of \$9,000,000 principal amount of bonds of the District designated the "Pacific Grove Unified School District (Monterey County, California) General Obligation Bonds 2006 Election, Series D" (the "Bonds"). Bids will be received in electronic form via PARITY® on

TUESDAY, FEBRUARY 9, 2010

or, at the option of the District, on successive days thereafter until acceptance of a bid, in either case at 10:00 a.m. Pacific Time. The District reserves the right to postpone or change the sale date upon 24 hours notice as described below. The Bonds will be issued under the provisions of a Resolution adopted by the Board of Education of the District on January 14, 2010 (the "Bond Resolution"), and under the laws of the State of California. The Bonds are more particularly described in the Bond Resolution on file with the District (which is incorporated herein by reference) and copies thereof will be furnished to the bidder upon request.

Important Note: The winning bidder will be required to pay, from underwriter's gross spread, certain costs of issuance of the Bonds. See "TERMS OF SALE - Payment of Issuance Costs" herein.

DESCRIPTION OF THE BONDS

PURPOSE: The proceeds of the Bonds will be applied by the District for the purpose of financing the acquisition and construction of educational facilities to be used for the educational purposes of the District, in accordance with the ballot proposition under which the issuance of the Bonds has been authorized.

ISSUE; BOOK-ENTRY FORM: The Bonds will be issued in the aggregate principal amount of \$9,000,000 in the form of fully registered Bonds without coupons. The Bonds will be dated as of their original delivery, and will be issued in minimum denominations of \$5,000. The Bonds will be issued in a book entry only system with no physical distribution of the Bonds made to the public. The Depository Trust Company, New York, New York ("DTC"), will act as depository for the Bonds which will be immobilized in its custody. The Bonds 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 Bonds.

MATURITIES: The Bonds will mature, or be subject to mandatory sinking fund redemption, on August 1 in each of the years, and in the amounts, as set forth in the following table. The final principal amount of the Bonds, and the final amount of each maturity of the Bonds, is subject to increase or reduction as described below under the heading "Adjustment of

Principal Amounts”. *Each bidder must specify in its bid whether, for any particular year, the Bonds will mature or, alternately, be subject to mandatory sinking fund redemption in such year.*

<u>Maturity Date (August 1)</u>	<u>Principal Amount*</u>	<u>Maturity Date (August 1)</u>	<u>Principal Amount*</u>
2011	\$ 80,000	2026	\$300,000
2012	140,000	2027	315,000
2013	155,000	2028	330,000
2014	160,000	2029	350,000
2015	170,000	2030	365,000
2016	180,000	2031	385,000
2017	190,000	2032	405,000
2018	200,000	2033	425,000
2019	210,000	2034	450,000
2020	220,000	2035	475,000
2021	230,000	2036	500,000
2022	245,000	2037	540,000
2023	255,000	2038	570,000
2024	270,000	2039	600,000
2025	285,000		

*Subject to adjustment as describe herein.

PAYMENT PROVISIONS: Interest on the Bonds will be payable on February 1, 2011, and on February 1 and August 1 in each year thereafter (the “Interest Payment Dates”), to the registered owners by check or draft of Wells Fargo Bank, National Association, as Paying Agent (the “Paying Agent”) or, in the case of the owner of Bonds 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 Bond will be paid upon presentation and surrender thereof at the office of the Paying Agent in San Francisco, California. The principal of and interest and premium (if any) on the Bonds are payable in lawful money of the United States of America.

OPTIONAL REDEMPTION: Bonds maturing on or before August 1, 2020, are not subject to optional redemption prior to their respective stated maturities. Bonds maturing on or after August 1, 2021, are subject to optional redemption prior to maturity as a whole or in part, by lot within a maturity, at the option of the District, from any available source of funds, on August 1, 2020 and on any date thereafter, at a redemption price equal to the principal amount thereof, together with accrued interest thereon to the date fixed for redemption, without premium.

SINKING FUND REDEMPTION: *Any bidder may, at its option, specify that one or more maturities of the Bonds will consist of term Bonds which are subject to mandatory sinking fund redemption 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 Bonds will be term Bonds, such term Bonds will be subject to mandatory sinking fund redemption 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 redemption price equal to the principal amount thereof to be redeemed together with accrued interest to the redemption date, without premium.

SECURITY: The Bonds are general obligations of the District, and the District will direct the appropriate officials of Monterey County (the "County") to levy ad valorem taxes for the payment of the Bonds and the interest thereon without limitation as to rate or amount.

TAX-EXEMPT STATUS: In the opinion of Jones Hall, A Professional Law Corporation, bond counsel to the District, interest on the Bonds 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 further opinion of Bond Counsel, such interest is exempt from California personal income taxes. Bidders are referred to the Preliminary Official Statement for a description of the proposed opinion of Bond Counsel. If prior to the delivery of the Bonds either (a) the interest on 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 Bonds as such, the successful bidder for the Bonds may, at its option, prior to the tender of the Bonds, be relieved of its obligation under the contract to purchase the Bonds, and in such case the deposit accompanying its proposal will be returned.

LEGAL OPINION: The legal opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, approving the validity of the Bonds, will be furnished to the purchaser of the Bonds without cost. A copy of the legal opinion will be appended to each Bond.

FURTHER INFORMATION: A copy of the preliminary Official Statement describing the Bonds, and any other information concerning the proposed financing, will be furnished upon request to the financial advisor to the District (the "Financial Advisor"), as follows: Dale Scott & Co., 400 Montgomery Street, Suite 805, San Francisco, California 94104, tel: (415) 956-1030. Such information is also available on the website of the Financial Advisor at http://www.dalescott.com/upcoming_bond_sales.html.

MUNICIPAL BOND INSURANCE; BIDDER'S OPTION: The District has applied to certain bond insurance companies for a commitment to issue a policy insuring the payment when due of principal of and interest on the Bonds. If such a commitment is obtained prior to the sale date, the District will cause notice thereof to be published on the website of the Financial Advisor and through PARITY® system. Information concerning the availability of municipal bond insurance may be also obtained by contacting the financial advisor to the District, Dale Scott & Co., 400 Montgomery Street, Suite 805, San Francisco, California 94104, telephone: (415) 956-1030. If the District obtains a commitment for municipal bond insurance, each bidder has the option to elect whether such insurance will be issued. If the winning bidder elects to obtain any policy of municipal bond insurance, the premium for such insurance and the costs of any related ratings will be paid by the bidder, and the District will have no responsibility for payment of such premium and costs.

TERMS OF SALE

RIGHT TO CANCEL, POSTPONE OR RESCHEDULE SALE: The District reserves the right to cancel, postpone or reschedule the sale of the Bonds upon notice published on the website of the Financial Advisor and through the TM3 system, not less than 24 hours before the time for receipt of bids. If the sale is postponed, bids will be received at the above place at such date and hour as set forth in the notice. Failure of any bidder to receive such notice or any other form of notice of canceled, postponed or rescheduled sale will not affect the legality or validity of any sale.

SUBMISSION OF BIDS: Bids will be received electronically as described below, provided that such electronic bid must be received no later than the date and time set for receipt of bids. *The winning bidder must submit a good faith deposit within 24 hours of notification of award as more fully described below under the caption "GOOD FAITH DEPOSIT".*

ELECTRONIC BIDS: The District will accept bids in electronic form through Thomson Financial's Parity System ("Parity"). Each bidder submitting an electronic bid agrees by doing so that it is solely responsible for all arrangements with Parity and that Parity is not acting as an agent of the District. Instructions and forms for submitting electronic bids must be obtained from Parity, and the District assumes no responsibility for ensuring or verifying bidder compliance with Parity's procedures. The District will be entitled to assume that any bid received via Parity has been made by a duly authorized agent of the bidder.

Neither the District, the County, the Financial Advisor nor Bond Counsel has any responsibility for proper functioning of the Parity system, for any error contained in any bid submitted electronically, or for failure of any bid to be transmitted, received or opened at the official time for receipt of bids. The official time for receipt of bids will be determined by the District at the place of bid opening, and the District will not be required to accept the time kept by Parity as the official time. The District assumes no responsibility for informing any bidder prior to the deadline for receiving bids that its bid is incomplete, or not received.

FORM OF BID; MINIMUM PURCHASE PRICE: Each proposal must be for not less than all of the Bonds hereby offered for sale. The purchase price to be paid for the Bonds may not be less than the par value thereof. No bid will be entertained which provides for a discount on the sale of the Bonds.

PAYMENT OF ISSUANCE COSTS: The successful bidder will be required to pay \$160,000 in costs of issuance of the Bonds from underwriter's gross compensation at the time of delivery of the Bonds. This amount should not be added to the price paid for the Bonds. Payment of this amount is not optional and is in addition to any premium for a policy of municipal bond insurance. Therefore, bidders should include payment of such costs in calculating their bids. Such amount will be deposited with Wells Fargo Bank, National Association, as custodian, under a Costs of Issuance Custodian Agreement and will be disbursed by said custodian upon requisitions of the District. Any amounts not required for payment of costs of issuance will be returned to the successful bidder.

DESIGNATION OF INTEREST RATES: Each bidder must specify the rate or rates of interest which the Bonds will bear. The maximum rate bid on any Bonds may not exceed 12% per annum. A bidder will be permitted to bid different rates of interest for each maturity of Bonds, but:

- each interest rate specified must be in a multiple of 1/20% or 1/8%;
- no Bond may bear more than one rate of interest;
- interest on each Bond will be computed from the date of original delivery to its stated maturity at the interest rate specified in the proposal, payable on the Interest Payment Dates as set forth above;
- all Bonds maturing at any one time will bear the same rate of interest; and
- the rate of interest bid on any maturity of Bonds may not exceed the rate of interest bid on any other maturity of Bonds by more than three 3% per annum.

DETERMINATION OF BEST BID: The Bonds will be awarded to the responsible bidder whose bid produces the lowest true interest rate on the Bonds. The true interest rate specified in any bid will be that rate which, when used in computing the present worth of all payments of principal and interest to be paid on all Bonds from the date of original delivery (which is assumed to be February 25, 2010) to their respective maturity dates or mandatory sinking fund redemption 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 Bonds plus any premium 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 Bonds.

ADJUSTMENT OF PRINCIPAL MATURITIES: The District reserves the right to increase or decrease the principal amount of any maturity of the Bonds (or, in the case of the term Bonds, the principal amount thereof which is subject to mandatory sinking fund redemption on August 1 in any year). The aggregate principal amount of the Bonds will be \$9,000,000 under any circumstances. The District will give notice of such increase or decrease to the successful bidder as soon as practicable following the notification of award. No such adjustment will alter the basis upon which the best bid is determined.

RIGHT OF REJECTION: The District 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: A representative of the District has been authorized to accept the best responsible bid for the purchase of the Bonds and to accept such bid, for and in the name of the District, 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 and may award the Bonds on a pro rata basis in such denominations as he or she determines. Such authorized representative of the District may also reject any and all bids and waive any irregularity or informality in any bid. Sale of the Bonds will be awarded or all bids will be rejected not later than 24 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 does not notify the District in writing of the withdrawal of its proposal.

PLACE OF DELIVERY; CANCELLATION FOR LATE DELIVERY: It is expected that the Bonds will be delivered to DTC for the account of the successful bidder within 21 days from the date of

sale thereof. The successful bidder has the right, at the successful bidder's option, to cancel the contract of purchase if the Bonds 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: The winning bidder shall wire a good faith deposit (the "Deposit") in the amount of \$90,000 to the Monterey County Treasurer-Tax Collector within 24 hours following the notification of award. No interest on the Deposit will accrue to the purchaser. The amount of the Deposit will be applied as a credit towards the payment of the purchase price by the winning bidder. If after the award of the Bonds, the winning bidder fails to complete its purchase on the terms stated in its proposal, the full amount of the good faith deposit will be retained by the District.

PAYMENT OF PURCHASE PRICE: The successful bidder will be required to pay the purchase price of the Bonds, reduced by the good faith deposit made under the preceding paragraph, in funds which are immediately available to the Monterey County Treasurer-Tax Collector. Such payment shall be made on the date of original delivery of the Bonds by the District to DTC.

STATEMENT OF TRUE INTEREST RATE: Each bidder is requested, but not required, to state in its proposal the percentage true interest rate represented by its proposal, determined as described above, which will be considered as informative only and not binding on either the bidder or the District.

CERTIFICATION OF REOFFERING PRICE: The successful bidder will be required, as a condition to the delivery of the Bonds by the District, to deliver to the District a certificate, in form and substance satisfactory to the District, upon which the District and Bond Counsel will rely in making certain calculations and rendering certain opinions under federal tax law, stating (i) that, as of the date of award, the Bonds were expected to be reoffered in a bona fide public offering, (ii) the initial offering price at which a substantial amount (at least 10%) of each maturity of the Bonds were sold to the public, and (iii) that no Bonds of a single maturity were offered at one price to the general public and at a discount from that price to institutional or other investors.

NO LITIGATION: There is no litigation pending concerning the validity of the Bonds, the corporate existence of the District, or the entitlement of the District officers 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 Bonds.

CUSIP NUMBERS: It is anticipated that CUSIP numbers will be printed on the Bonds, but neither the failure to print such numbers on any Bonds 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 Bonds in accordance with the terms hereof. All expenses in relation to the printing of CUSIP numbers on the Bonds will be paid for by the District, except that the CUSIP Service Bureau charge for the assignment of said numbers will be the responsibility of and shall be paid for by the purchaser.

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 Bonds are the sole responsibility of the purchaser of the Bonds.

OFFICIAL STATEMENT: The District has approved a preliminary Official Statement relating to the Bonds. Copies of such preliminary Official Statement will be distributed to any bidder, upon request, prior to the sale in a form “deemed final” by the District for purposes of Rule 15c2-12 under the Securities Exchange Act of 1934 (the “Rule”). Within seven business days from the sale date, the District will deliver to the purchaser copies of the final Official Statement, executed by an authorized representative of the District and dated the date of delivery thereof to the purchaser, in sufficient number to allow the purchaser to comply with paragraph (b)(4) of the Rule and to satisfy the Municipal Securities Rulemaking Board (the “MSRB”) Rule G-32 or any other rules adopted by the MSRB, which shall include information permitted to be omitted by paragraph (b)(1) of the Rule and such other amendments or supplements as are approved by the District (the “Final Official Statement”). The purchaser agrees that it will not confirm the sale of any Bonds unless the confirmation of sale is accompanied or preceded by the delivery of a copy of the Final Official Statement. The District will furnish to the successful bidder, at no charge, not more than 100 copies of the Official Statement for use in connection with any resale of the Bonds.

CERTIFICATE REGARDING OFFICIAL STATEMENT: A responsible officer of the District will certify to the original purchaser of the Certificates, as a condition of closing, that based on such officer’s participation in the preparation of the Official Statement, nothing has come to his or her attention to lead him or her to believe that the Official Statement (except for certain financial statements, statistical data and other information) contains any untrue statement of a material fact or omits to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

CONTINUING DISCLOSURE. In order to assist bidders in complying with S.E.C. Rule 15c2-12(b)(5), the District has committed to undertake, under the Bond Resolution and a Continuing Disclosure Certificate, to provide certain annual financial information and notices of the occurrence of certain events, if material. A description of this undertaking is set forth in the preliminary Official Statement and will also be set forth in the final Official Statement. Such Continuing Disclosure Certificate will be a document required to be delivered at closing by the District, and the failure by the District to deliver such document in form and substance acceptable to Bond Counsel and the successful bidder will relieve the successful bidder of its obligation to purchase the Bonds.

GIVEN by order of the Board of Education of the Pacific Grove Unified School District by resolution adopted January 14, 2010.

Dated: February 1, 2010.