

OFFICIAL NOTICE OF SALE

\$30,000,000*
CITY OF COSTA MESA
2006 CERTIFICATES OF PARTICIPATION
(POLICE FACILITY EXPANSION PROJECT)

NOTICE IS HEREBY GIVEN that electronic bids for the purchase of \$30,000,000* aggregate principal amount of the City of Costa Mesa 2006 Certificates of Participation (Police Facility Expansion Project) (the "Certificates" herein) will be received by a representative of the City of Costa Mesa, California (herein the "City") in the manner and up to the time specified below.

All bids must be submitted electronically via PARITY[®] on Wednesday, January 10, 2007, up until 9:30 a.m. (Pacific Standard Time) (see "BIDDING DETAILS" herein). No bid will be received after such time. 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 i-Deal at 1359 Broadway, 2nd Floor, New York, NY 10018, telephone (212) 849-5021.

No bid check is required.

Neither the City, the Financial Advisor nor Special Counsel (defined below) is responsible for, and each bidder expressly assumes risk of, any incomplete, inaccurate or untimely bid submitted by Internet transmission by such bidder, including, without limitation, by reason of garbled transmissions, mechanical failure, engaged telephone or telecommunications lines, or any other cause arising from delivery by Internet transmission.

Any change in the terms of the sale or the date and time for the receipt of bids will be communicated through TM3. Failure by the City to announce any such change on any particular information or news service, or the failure of any such information or news service to publish such change, does not affect the validity of such change and therefore bidders are responsible for and should check all sources.

OFFICIAL STATEMENT: The City has caused a preliminary official statement to be prepared relating to the Certificates (the "Preliminary Official Statement"), copies of which may be obtained at the office of the City's Financial Advisor, Harrell & Company Advisors, LLC, 333 City Boulevard West, Suite 1430, Orange, California 92868, telephone (714) 939-1464. The Preliminary Official Statement may also be viewed on the i-Deal Prospectus website at "www.i-DealProspectus.com." The Preliminary Official Statement is in a form deemed final by the City for the purposes of SEC Rule 15c2-12(b)(1), but is subject to revision, amendment and completion in a final official statement (the "Official Statement"). The City will furnish the successful bidder with a reasonable number of copies of the final Official Statement within seven (7) business days of award of the Certificates, without charge.

AMENDMENT AND MODIFICATION: The City reserves the right to amend this Official Notice of Sale at least 24 hours prior to the bid submittal time for the Certificates on Wednesday, January 10, 2007, and communicating such amendment through TM3.

POSTPONEMENT: The City reserves the right to postpone, from time to time, the date established for the receipt of bids. Any such postponement will be communicated through TM3 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, any alternative sale date will be announced via TM3 at least 20 hours prior to such alternative sale date. On any such alternative sale date, any bidder may 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 via TM3.

* Subject to change, see “MATURITIES” herein.

BOOK-ENTRY ONLY: The Certificates will be issued in book-entry form only, initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). Individual purchases will be made in the maturities described hereinafter under the caption “THE CERTIFICATES.” Payments of principal and interest to DTC will be made by The Bank of New York Trust Company, N.A., Los Angeles, California (the “Trustee”) and disbursement of such payments to the beneficial owners is the responsibility of DTC’s direct participants or indirect participants. As of the date of award of the Certificates, the successful bidder must either participate in DTC or must clear through or maintain a custodial relationship with an entity that participates in DTC. The fees and charges of DTC shall be borne by the successful bidder.

THE CERTIFICATES

DATE; DENOMINATION: The Certificates are to be delivered on or about January 25, 2007 (the “Date of Delivery”), in fully registered form in denominations of \$5,000 or any integral multiple thereof, all dated as of the Date of Delivery, in the aggregate principal amount of \$30,000,000*, designated “City of Costa Mesa 2006 Certificates of Participation (Police Facility Expansion Project)” and comprising all of the authorized Certificates. Bidders are referred to the Preliminary Official Statement for particulars related to the Certificates.

MATURITIES: The final aggregate principal amount of the Certificates and the maturity schedule will be determined following award to the winning bidder. For the purpose of calculating the winning bid for the Certificates, the following maturity schedule shall be used. **Each bidder may specify in its bid whether, for any particular year, the Certificates will be Term Certificates subject to mandatory prepayment in the applicable principal amount set forth below.** The Financial Advisor will promptly recalculate the aggregate principal amount of the Certificates following award to the winning bidder, for the purpose of maintaining certain debt service levels, and the Financial Advisor will promptly inform the successful bidder of any changes. Any increase or decrease in the principal amount of the Certificates will cause a proportionate increase or decrease, as the case may be, in the discount or premium at which the Certificates are sold. By offering a bid for the Certificates, a bidder will be obligated, if it is the successful bidder, to purchase the Certificates with any such changes.

MATURITY SCHEDULE

| Maturity Date October 1 | Principal Amount* | Maturity Date October 1 | Principal Amount* |
|----------------------------|----------------------|----------------------------|----------------------|
| 2007 | | 2017 | |
| 2008 | | 2018 | |
| 2009 | | 2019 | |
| 2010 | | 2020 | |
| 2011 | | 2021 | |
| 2012 | | 2022 | |
| 2013 | | 2023 | |
| 2014 | | 2024 | |
| 2015 | | 2025 | |
| 2016 | | 2026 | |

* Subject to change, see “MATURITIES” herein.

INTEREST: The Certificates will bear interest (computed on the basis of a 360-day year of twelve 30-day months) from their date at the rate or rates to be fixed upon the sale thereof, but not to exceed 6% per annum. Interest with respect to a Certificate will be paid October 1 and April 1 commencing April 1, 2007 (each, an “Interest Payment Date”).

PAYMENT: Interest and principal with respect to the Certificates will be payable when due by wire of the Trustee to DTC which will in turn remit such interest and principal to DTC Participants (see

“BOOK-ENTRY ONLY” herein). If the book-entry only system is discontinued, interest and principal will be paid as described in the Preliminary Official Statement.

PURPOSE: The Certificates are being delivered to provide funds for the construction and equipping of certain improvements to the Civic Center complex of the City of Costa Mesa, to fund a reserve fund for the Certificates and to pay the costs incurred in connection with the execution and delivery of the Certificates, all as more fully described in the Preliminary Official Statement.

SECURITY: The Certificates are being executed and delivered under an Amended and Restated Trust Agreement dated as of December 1, 2006 (the “Trust Agreement”) by and among the City, the Costa Mesa Public Financing Authority (the “Authority”) and the Trustee, and a resolution adopted by the City Council of the City authorizing the execution, sale and delivery thereof. The Certificates represent direct, undivided proportionate interests in the lease payments (the “Lease Payments”) to be made by the City to the Authority as rental for the Property, as more fully described in the Preliminary Official Statement, pursuant to a Lease/Purchase Agreement dated as of October 1, 2003 as amended by a First Amendment to Lease/Purchase Agreement dated as of December 1, 2006, between the Authority, as Lessor, and the City, as Lessee (as amended, the “Lease”), certain funds held under the Trust Agreement and investment earnings thereon, and from net proceeds of insurance or condemnation awards, all as more fully described in the Preliminary Official Statement.

In general, the City is required under the Lease to pay to the Trustee specified amounts for use and possession of the Property which amounts are sufficient in both time and amount to pay, when due, the principal and interest payable with respect to the Certificates all as more fully described in the Preliminary Official Statement. The City is also required to pay all taxes and assessments and the cost of maintenance and repair of the Property. Except for the Authority’s right, title and interest in and to the Lease, no funds or properties of the City or the Authority are pledged to or otherwise liable for the obligations of the City.

The obligation of the City to pay Lease Payments does not constitute an obligation for which the City is obligated to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation. The obligation of the City to pay Lease Payments does not constitute a debt or liability of the State of California or of any political subdivision thereof within the meaning of any constitutional or statutory debt limitation or restriction.

Bidders are referred to the Preliminary Official Statement for further particulars.

MUNICIPAL BOND INSURANCE: The City received a commitment from _____ for municipal bond insurance with respect to the Certificates. The City will directly purchase such insurance.

OPTIONAL PREPAYMENT: The Certificates maturing on or before October 1, 2016 are not subject to prepayment prior to maturity. The Certificates maturing on or after October 1, 2017 are subject to prepayment prior to maturity at the option of the City, on any date on or after October 1, 2016, as a whole or in part among maturities designated by the City and by lot within a maturity, from any source of available funds at a prepayment price equal to 100% of the principal amount thereof to be prepaid, without a premium, together with accrued interest thereon to the date fixed for prepayment.

MANDATORY SINKING ACCOUNT PREPAYMENT: Any Certificates designated by the successful bidder as Term Certificates will also be subject to prepayment in part by lot, on October 1 in each year from sinking account payments, at a prepayment price equal to the principal amount thereof to be prepaid, without premium; provided, however, that if some but not all of the Term Certificates have been prepaid pursuant to an optional or extraordinary prepayment, the total amount of all future payments will be reduced by the aggregate principal amount of Term Certificates so prepaid, in integral multiples of \$5,000. In addition, in lieu of prepayment thereof, the Term Certificates may be purchased by the City and tendered to the Trustee pursuant to the provisions of the Trust Agreement. See caption “MATURITIES” above for bidders’ option with respect to Term Certificates and mandatory prepayment.

TERMS OF SALE

STATED INTEREST RATE: The stated interest rate bid for any maturity of Certificates may not exceed 6% per annum. Bidders must specify the rate of interest which is payable with respect to the Certificates strictly in accordance with the following conditions:

- (i) Each interest rate specified in any bid must be in a multiple of 1/20 of 1% or 1/8 of 1% per annum;

(ii) No Certificate is payable at more than one rate of interest;

(iii) Interest with respect to each Certificate is computed from its date to its stated maturity date at the interest rate specified in the bid;

(iv) All Certificates maturing at any one time are payable at the same rate of interest;

(v) Any premium must be paid as part of the purchase price, and no bid will be accepted which contemplates the cancellation or the waiver of any interest or other concession by the bidder as a substitute for payment in full of the purchase price; and

(vi) The interest rate bid with respect to any maturity of the Certificates shall be equal to or greater than the interest rate with respect to each preceding maturity of the Certificates.

DISCOUNT: Bidders may specify a discount or premium. The discount shall not exceed 1 ½% of the principal amount of the Certificates. The premium shall not exceed 3% of the principal amount of the Certificates.

AWARD: The Certificates will be sold for cash or Federal Reserve Bank Funds only. All bids must be for not less than all of the Certificates hereby offered for sale and each bid shall state the total price offered for the Certificates, the premium, or the discount, if any, and the interest rate or rates (which shall not exceed those specified herein) at which the bidder offers to buy the Certificates.

WINNING BIDDER; TRUE INTEREST COST: The Certificates will be awarded to the responsible bidder whose bid produces the lowest true interest cost on the Certificates, subject to the right to reject certain bids as described below under "RIGHT OF REJECTION." The true interest cost specified in any bid will be that cost, which, when used in computing the present value of all payments of principal and interest on all Certificates from the Date of Delivery, to their respective maturity dates, produces an amount equal to the purchase price specified in such bid. For purposes of computing the true interest cost represented by any bid, the purchase price specified in such proposal shall be equal to the par amount of the Certificates less any discount specified in such bid or plus any premium specified in such bid, and the true interest cost shall be calculated by the use of a semiannual interval of compounding interest based on the Interest Payment Dates of the Certificates. If two or more bidders have bid the same lowest true interest cost to the City, the award shall be made to the first bid received.

RIGHT OF REJECTION: The City 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 City will take action awarding the Certificates or rejecting all bids not later than twenty-four (24) hours after the expiration of the time herein prescribed for the receipt of bids; provided that the award may be made after the expiration of the specified time if the bidder has not given the City notice in writing of the withdrawal of its bid.

DELIVERY OF OFFICIAL STATEMENT: The City will furnish the successful bidder with a reasonable number of copies of the final Official Statement within 7 business days after award of the Certificates, without charge.

PLACE OF DELIVERY: Delivery of the Certificates will be made to the successful bidder through DTC in New York, New York, or at any other place agreeable to both the City and the successful bidder. Payment for the Certificates shall be made in cash or Federal Reserve Bank funds which are immediately available to the City.

PROMPT DELIVERY; CANCELLATION FOR LATE DELIVERY: It is expected that the Certificates will be delivered to the successful bidder on or about January 25, 2007. The successful bidder has the right, at its option, to cancel the contract of purchase if the City fails to execute the Certificates and tender them for delivery within 60 days from the date of sale thereof.

LIST ACCOUNT MEMBERS: Bidders are requested to list the members of the bidding group on whose behalf the bid is made.

BIDDING DETAILS: All bids must be unconditional and submitted via PARITY[®]. No facsimile, personal delivery bids or bids delivered by any other method will be accepted. All costs and expenses incurred by prospective bidders in connection with their submission for bids through PARITY[®] are the sole responsibility of the bidder and the City is not responsible for such costs or expenses. Further information about PARITY[®], including any fee charged may be obtained from PARITY[®],

1359 Broadway, 2nd Floor, New York, NY 10018 (212) 8495021.

VERIFICATION: All bids are subject to verification and approval by the City. The City has the right to deem each final bid reported by PARITY[®] immediately after the deadline for receipt of bids to be accurate and binding on the bidder. Information or calculations provided by PARITY[®] other than the information required to be provided by the bidder in accordance with this Official Notice of Sale is for information purposes only and is not binding on either the bidder or the City. If two or more bidders offer bids for the Certificates at the same lowest true interest cost, the winning bid shall be the first bid received in the determination of the City whose determination is final.

CONFIRMATION OF BIDS: The successful bidder for the Certificates must deliver a certificate confirming the terms of its bid to the City within one hour after the bidding deadline. The certificate may be sent by facsimile transmission to Harrell & Company Advisors, LLC, facsimile number (714) 939-1462.

CHANGE IN TAX-EXEMPT STATUS: At any time before the Certificates are tendered for delivery, the successful bidder may disaffirm and withdraw the proposal if interest received by private owners from securities of the same type and character as the Certificates is declared to be includable in gross income under present federal income tax laws in a manner not described in the section "LEGAL MATTERS - Tax Exemption" in the Preliminary Official Statement, either by a ruling of the Internal Revenue Service or by a decision of any federal court, or is declared includable in gross income or is required to be taken into account in computing personal federal income taxes by the terms of any federal income tax law enacted subsequent to the date of this notice.

CLOSING PAPERS: Each proposal will be understood to be conditioned upon the City furnishing to the successful bidder, without charge, concurrently with payment for and delivery of the Certificates, the following closing papers, each dated the date of delivery:

(a) **Legal Opinion.** The legal opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, ("Special Counsel,") approving the validity of the Certificates and the Trust Agreement and stating that interest due with respect to the Certificates is excluded from gross income for federal income tax purposes of the United States of America under existing law (see Preliminary Official Statement for a description of certain qualifications with respect to taxes on corporations and others), and that

such interest is also exempt from personal income taxes of the State of California under existing law, will be furnished the successful bidder at the time of delivery of the Certificates, at the expense of the City.

(b) **No Arbitrage Certificate.** A Certificate of the City certifying that on the basis of the facts, estimates and circumstances in existence on the Date of Delivery, it is not expected that the proceeds of the Certificates will be used in a manner that would cause the Certificates to be arbitrage bonds.

(c) **No Litigation Certificate.** At the time of payment for and delivery of the Certificates, the City will furnish the successful bidder a Certificate that there is no litigation pending affecting the validity of the Trust Agreement or the Certificates.

(d) **Certificate Concerning Official Statement.** A Certificate of the City, signed by an appropriate officer, acting in his or her official capacity, to the effect that to the best of such officer's knowledge and belief, and after reasonable investigation: (1) neither the Official Statement nor any amendment or supplement thereto contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements therein, in light of the circumstances in which they were made, not misleading; (2) since the date of the Official Statement no event has occurred which should have been set forth in an amendment or supplement to the Official Statement which has not been set forth in such an amendment or supplement which would make the statements therein, in light of the circumstances in which they were made misleading; nor (3) has there been any material adverse change in the operation or financial affairs of the City since the date of such Official Statement.

DISCLOSURE LETTER: A disclosure letter with respect to the Official Statement will be provided to the successful bidder by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Disclosure Counsel.

CONTINUING DISCLOSURE: In order to assist bidders in complying with S.E.C. Rule 15c2-12(b)(5) (the "Rule"), the City has committed to undertake, pursuant to the Trust Agreement and a Continuing Disclosure Agreement, 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 Agreement is a document required to be delivered at closing by the City, and the failure by the City to deliver such document in form and substance acceptable to Disclosure Counsel and the successful bidder will relieve the

successful bidder of its obligation to purchase the Certificates. The City has never failed to comply with its filing obligations under the Rule.

CUSIP NUMBERS: CUSIP identification numbers will be requested by the City and will be printed on the Certificates. All expenses in relation to the printing of CUSIP numbers on the Certificates shall be paid for by the City; provided, however, that the CUSIP Service Bureau charge for the assignment of said numbers are the responsibility of and shall be paid for by the purchaser. The Trustee and the City are not liable for any defect or inaccuracy in the CUSIP number that appears on any Certificate or in any redemption notice.

CALIFORNIA DEBT AND INVESTMENT ADVISORY COMMISSION FEE: Attention of bidders is directed to California Government Code Section 8856, which provides that the purchaser of the Certificates will be charged for the California Debt and Investment Advisory Commission fee relating to the Certificates.

PURCHASER'S CERTIFICATE: On the date of delivery of the Certificates, the successful bidder will be required to furnish a certificate in a form satisfactory to Special Counsel certifying the price or prices at which the Certificates were reoffered to the public and the price or prices at which a substantial amount of the Certificates were sold.

GIVEN by order of the City of Costa Mesa made on November 21, 2006.

By: /s/ Marc R. Puckett Director
of Finance