

PRELIMINARY OFFICIAL STATEMENT DATED AUGUST 7, 2017

**NEW AND RENEWAL ISSUES
BOOK-ENTRY-ONLY BONDS AND NOTES**

**RATING: SEE "RATING" HEREIN
SERIAL BONDS AND BOND ANTICIPATION NOTES**

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the Town, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Bonds and the Notes (collectively, the "Tax-Exempt Obligations") is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Tax-Exempt Obligations is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In addition, in the opinion of Bond Counsel to the Town, under existing statutes, interest on the Tax-Exempt Obligations is exempt from personal income taxes of New York State and its subdivisions including The City of New York. See "Tax Matters" herein.

The Town WILL NOT designate the Bonds or Notes as "qualified tax-exempt obligations" pursuant to the provision of Section 265(b)(3) of the Code.

**TOWN OF EAST HAMPTON
SUFFOLK COUNTY, NEW YORK**

\$3,431,425*
VARIOUS PURPOSES SERIAL BONDS – 2017
(the "Bonds")

Dated Date: Date of Delivery

Maturity Dates: August 15, 2018-2025

\$24,650,990
BOND ANTICIPATION NOTES – 2017
(the "Notes")

Date of Issue: August 24, 2017

Maturity Date: August 24, 2018

The Bonds and the Notes are general obligations of the Town of East Hampton, Suffolk County, New York (the "Town"), and will contain a pledge of the faith and credit of the Town for the payment of the principal thereof and interest thereon and, unless paid from other sources, the Bonds and the Notes are payable from ad valorem taxes which may be levied upon all the taxable real property within the Town, subject to certain statutory limitations imposed by Chapter 97 of the New York Laws of 2011, as amended (the "Tax Levy Limit Law"). (See "Tax Levy Limit Law" herein.)

The Bonds are dated their Date of Delivery and will bear interest from that date until maturity at the annual rate or rates as specified by the purchaser of the Bonds, payable on August 15, 2018 and semiannually thereafter on February 15 and August 15 in each year until maturity. The Bonds shall mature on August 15 in each year in the principal amounts specified on the inside cover page hereof. The Bonds are not subject to redemption prior to maturity.

The Notes are dated their Date of Issue and bear interest from that date until the Maturity Date, at the annual rate(s) as specified by the purchaser(s) of the Notes. The Notes will not be subject to redemption prior to maturity.

At the option of the purchaser, the Notes will be issued in (i) registered form, registered in the name of the successful bidder(s) or (ii) registered book-entry form registered to Cede & Co., as the partnership nominee for The Depository Trust Company ("DTC").

If the Notes are issued registered in the name of the successful bidder(s), a single note certificate will be issued for those Notes bearing the same rate of interest in the aggregate principal amount awarded to such purchaser at such interest rate. Principal of and interest on such Notes will be payable in Federal Funds by the Town, at such bank or trust company located and authorized to do business in the State of New York as selected by the successful bidder(s).

DTC will act as Securities Depository for the Bonds and for those Notes issued as book-entry notes registered to Cede & Co. Individual purchases may be made in book-entry form only, in principal amounts of \$5,000 or integral multiples thereof, except for one necessary odd denomination in the first maturity of the Bonds and one necessary odd denomination for the Notes. Purchasers will not receive certificates representing their ownership interests in the Bonds and those Notes issued as book-entry-only notes. Payment of the principal of and interest on such Bonds and Notes will be made by the Town to DTC, which will in turn remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of such Bonds and Notes as described herein. (See "Book-Entry-Only System" herein.)

The Bonds and the Notes are offered when, as and if issued and received by the purchasers and subject to the receipt of the respective final approving opinions of Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel. Capital Markets Advisors, LLC has served as Municipal Advisor to the Town in connection with the issuance of the Bonds and the Notes. It is anticipated that the Bonds and the Notes will be available for delivery through the offices of DTC on or about August 24, 2017.

THIS PRELIMINARY OFFICIAL STATEMENT IS IN A FORM DEEMED FINAL BY THE TOWN FOR PURPOSES OF SECURITIES AND EXCHANGE COMMISSION RULE 15c2-12 (THE "RULE"). FOR A DESCRIPTION OF THE TOWN'S AGREEMENT TO PROVIDE CONTINUING DISCLOSURE FOR THE BONDS AND THE NOTES AS DESCRIBED IN THE RULE, SEE "DISCLOSURE UNDERTAKINGS" HEREIN.

Dated: August __, 2016

* Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment without notice. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities, in any jurisdiction in which such offer, solicitation, or sale would be unlawful prior to the registration or qualification under the securities laws of such jurisdiction.

The Bonds will mature on August 15 in the following years and principal amounts:

<u>Year</u>	<u>Principal Amount*</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Year</u>	<u>Principal Amount*</u>	<u>Interest Rate</u>	<u>Yield</u>
2018	\$406,425			2022	\$430,000		
2019	415,000			2023	435,000		
2020	420,000			2024	445,000		
2021	425,000			2025	455,000		

* The principal amounts of the Bonds are subject to adjustment following the sale of the Bonds, pursuant to the terms of the accompanying Notice of Sale.

**TOWN OF EAST HAMPTON
SUFFOLK COUNTY, NEW YORK**

TOWN BOARD

LARRY CANTWELL
Supervisor

Peter Van Scoyoc..... Deputy Supervisor
Kathee Burke-Gonzalez..... Councilwoman
Sylvia Overby Councilwoman
Frederick Overton Councilman

Len Bernard Town Budget Officer
Charlene G. Kagel, CPA CGMA..... Chief Auditor
Neide Valeira Town Accountant
Carole A. Brennan Town Clerk
Rebecca Rahn..... Receiver of Taxes
Michael Sendlenski, Esq..... Town Attorney
John Jilnicki, Esq. Assistant Town Attorney

BOND COUNSEL
HAWKINS DELAFIELD & WOOD LLP
New York, New York

MUNICIPAL ADVISOR
CAPITAL MARKETS ADVISORS, LLC
Great Neck and New York, New York
(516) 487-9817

No dealer, broker, salesman or other person has been authorized by the Town to give any information or to make any representations, other than those contained in this Official Statement and if given or made, such other information or representations must not be relied upon as having been authorized by the Town. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds or the Notes by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained by the Town from sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness. The information and expressions of opinion herein are 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 Town since the date hereof.

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OFFICIAL STATEMENT
TOWN OF EAST HAMPTON
SUFFOLK COUNTY, NEW YORK

relating to

\$3,431,425*

VARIOUS PURPOSES SERIAL BONDS – 2017

and

\$24,650,990

BOND ANTICIPATION NOTES – 2017

This Official Statement, which includes the cover page and appendices hereto, presents certain information relating to the Town of East Hampton, in the County of Suffolk, in the State of New York (the “Town”, “County” and “State,” respectively) in connection with the sale of \$3,431,425* Various Purposes Serial Bonds – 2017 (the “Bonds”) and \$24,650,990 Bond Anticipation Notes – 2017 (the “Notes”).

All quotations from and summaries and explanations of provisions of the Constitution and laws of the State and acts and proceedings of the Town contained herein do not purport to be complete and are qualified in their entirety by reference to the official compilations thereof and all references to the Bonds and the Notes and the proceedings of the Town relating thereto are qualified in their entirety by reference to the definitive form of the Bonds and the Notes and such proceedings.

THE BONDS

Description of the Bonds

The Bonds are dated their Date of Delivery and will bear interest from that date until maturity, payable on August 15, 2018 and semiannually thereafter on February 15 and August 15 in each year until maturity. The Bonds shall mature on August 15 in each year in the principal amounts specified on the inside cover page hereof. The Bonds are not subject to redemption prior to maturity.

The record payment date for the payment of principal of and interest on the Bonds is the last business day of the calendar month preceding each interest payment date.

Authority for and Purpose of the Bonds

The Bonds are issued pursuant to the Constitution and Laws of the State, including, among others, the Town Law, the Local Finance Law and various bond resolutions duly adopted by the Town Board on their respective dates. A portion of the proceeds from the sale of the Bonds in the amount of \$2,960,425, together with a portion of the proceeds from the sale of the Notes in the amount of \$7,363,300, together with \$733,174 in available funds, will be used to redeem the Town’s \$11,056,899 Bond Anticipation Notes – 2016 at maturity. A portion of the proceeds from the sale of the Bonds in the amount of \$471,000 will be used to provide original or additional original financing for certain objects or purposes as noted on the following pages.

* Preliminary, subject to change.

Purpose	Authorization Date	Amount Outstanding	Principal Paydown	New Money	Amount to Bonds
Improvements to Sanitation Building on Springs Fireplace Road	05/03/2012	\$ 269,000	\$ 19,000	\$ 0	\$ 250,000
Repaving and reconstruction of various roads in the Town damaged as a result of Hurricane Sandy ⁽¹⁾	11/15/2012	265,899	58,633	0	207,266
Construction of Improvements to Town-owned Dock Pilings (Phase II)	05/16/2013	271,000	263,641	0	7,359
Construction of Improvements to Town-owned Dock Pilings (Phase II) 2	10/02/2014	255,000	10,000	0	245,000
Acquisition of Computer Equipment	03/19/2015	250,000	58,000	0	192,000
Acquisition of Computer Equipment 2	06/04/2015	130,000	30,000	0	100,000
Acquisition of Radio System for Lifeguards	4/02/2015	17,000	4,000	0	13,000
Acquisition of Trash Receptacles - Montauk and Amagansett	04/02/2015	40,000	9,000	0	31,000
Acquisition of Large Generator - Highway Dept.	04/02/2015	50,000	12,000	0	38,000
Acquisition of Body Armor for Police	04/16/2015	20,000	5,000	0	15,000
Roof Improvement - Montauk Gazebo	03/19/2015	20,000	2,000	0	18,000
Repairs to Ditch Plains Comfort Station	03/19/2015	55,000	3,000	0	52,000
Repairs to Montauk Skateboard Park	03/19/2015	85,000	4,000	0	81,000
Fence Repair at Terry King Ballfield	03/19/2015	50,000	2,000	0	48,000
Improvements to Amagansett Youth Park	04/02/2015	35,000	2,000	0	33,000
Acquisition of Two Highway Dept. Trucks	04/16/2015	50,000	5,000	0	45,000
Acquisition of Boat - Marine Patrol	04/16/2015	8,000	1,000	0	7,000
Improvements to Roof and Chimney - Town Hall	04/16/2015	35,000	3,000	0	32,000
New Furnace at Montauk Highway Barn	04/16/2015	25,000	13,900	0	11,100
Construction of Improvements to Emergency Operations Building	09/17/2015	90,000	0	0	90,000
Acquisition of 4x4 for Marine Patrol	02/04/2016	70,000	0	0	70,000
Acquisition of Boat Hull - Sail Program	02/04/2016	15,000	0	0	15,000
Acquisition of Electric Cars	05/19/2016	75,000	0	0	75,000
Acquisition of Utility Vehicle - Assessors	05/19/2016	33,000	0	0	33,000
Acquisition of Trucks with Lettering - Public Safety	05/19/2016	65,000	0	0	65,000
Acquisition of Equipment Aquaculture Department - Outboard Motor	05/19/2016	6,000	0	0	6,000
Acquisition of Equipment Aquaculture Department - Culture Tanks Nursery	05/19/2016	6,000	0	0	6,000
Acquisition of Vehicle - Aquaculture	05/19/2016	30,000	0	0	30,000
Acquisition of Police Cars	05/19/2016	200,000	0	0	200,000
Acquisition of 4X4 Vehicles for Police	05/19/2016	35,000	0	0	35,000
Acquisition of Weapons (Handguns) - Police	05/19/2016	12,000	0	0	12,000
Acquisition of Tasers - Police	05/19/2016	32,000	0	0	32,000
Acquisition of Weapons (Rifles) - Police	05/19/2016	15,200	0	0	15,200
Acquisition of Video Security System - Police	05/19/2016	35,000	0	0	35,000
Acquisition of Storage Shed - Police	05/19/2016	7,500	0	0	7,500
Acquisition of Computer Hardware and Software - Police	05/19/2016	40,000	0	0	40,000

(1) Amended by Resolution 1134-2014.

Purpose	Authorization Date	Amount Outstanding	Principal Paydown ⁽³⁾	New Money	Amount to Bonds
Acquisition of Trailer for Bobcat	05/19/2016	\$ 5,000	\$ 0	\$ 0	\$ 5,000
Acquisition of Salt Spreader - Buildings and Grounds	05/19/2016	5,000	0	0	5,000
Acquisition of Safety Equipment - Marine patrol	05/19/2016	15,000	0	0	15,000
Acquisition of Jet Ski - Marine Patrol	05/19/2016	15,000	0	0	15,000
Acquisition of Carpentry Truck	05/19/2016	60,000	0	0	60,000
Acquisition of Pick up Trucks - Beaches	05/19/2016	42,000	0	0	42,000
Acquisition of Dump Truck Highway	05/19/2016	300,000	0	0	300,000
Floor Replacement – Police Dept.	06/02/2016	51,000	0	0	51,000
Acquisition of Records Management System ⁽¹⁾	05/19/2016	75,000	0	0	75,000
Town Hall Windows Replacements	06/02/2016	170,000	0	0	170,000
Increase and Improvement of the Facilities of the Camp Hero Sewer District ⁽²⁾	06/02/2016	30,000	0	29,000	59,000
Preparation of Surveys, Preliminary Plans and Detailed Plans, Specifications and Estiamtes for Capital Improvements at the Airport	02/02/2017	0	0	200,000	200,000
Acquisition of Pickup Truck - Airport	11/03/2016	0	0	42,000	42,000
Acquisition of Police Vehicles and Related Equipment	05/04/2017	<u>0</u>	<u>0</u>	<u>200,000</u>	<u>200,000</u>
	Totals	<u>\$ 3,465,599</u>	<u>\$ 505,174</u>	<u>\$ 471,000</u>	<u>\$ 3,431,425</u>

(1) Amended by Resolution 1395-2016.

(2) Amended by Resolution 779-2017.

(3) In addition to the paydowns listed above, the Town is making paydowns in the aggregate amount of \$110,000 from available funds with respect to certain projects financed by the Town's \$11,056,899 Bond Anticipation Notes – 2016.

THE NOTES

Description of the Notes

The Notes will be dated and will mature, without option of prior redemption, as reflected on the cover page hereof.

The Town will act as Paying Agent for any Notes issued in book-entry form. Paying agent fees, for non-bookd-entry notes, will be paid by the purchaser(s). The Town's contact information is Ms. Carole A. Brennan, Town Clerk, telephone number (631) 324-4142, cbrennan@town.east-hampton.ny.us.

Authority for and Purpose of the Notes

The Notes are issued pursuant to the Constitution and Laws of the State, including, among others, the Town Law, the Local Finance Law and various bond resolutions duly adopted by the Town Board on their respective dates. A portion of the proceeds from the sale of the Bonds in the amount of \$2,960,425, together with a portion of the proceeds from the sale of the Notes in the amount of \$7,363,300, together with \$733,174 in available funds, will be used to redeem the Town's \$11,056,899 Bond Anticipation Notes – 2016 at maturity. A portion of the proceeds from the sale of the Notes in the amount of \$17,287,690 will be used to provide original or additional original financing for certain objects or purposes as noted on the following pages.

Purpose	Authorization Date	Amount Outstanding	Principal Paydown	New Money	Amount to Notes
Construction of Various Improvements to Sanitation Building	05/02/2013	\$ 806,000	\$ 51,000	\$ 0	\$ 755,000
Reconstruction of Boat Launching Ramps	06/06/2013	134,000	8,000	0	126,000
Construction of Salt Barn in Montauk – Highway Department ⁽¹⁾	10/03/2013	86,200	8,000	0	78,200
Construction of Improvements to Kirk Park Beach Parking Lot	03/20/2014	68,000	7,000	0	61,000
Construction of Salt Barn in East Hampton	04/17/2014	285,000	16,000	0	269,000
Acquisition of Diesel Inspection Machine - Highway Dept.	04/02/2015	10,000	2,000	0	8,000
Water Main - Head of Harbor Dock	04/16/2015	25,000	6,000	0	19,000
Acquisition of Radios for Ordinance Enforcement	03/19/2015	15,000	1,000	0	14,000
Window Replacement - Police Headquarters	03/19/2015	35,000	3,000	0	32,000
Roof Improvements - Various Buildings	03/19/2015	100,000	9,000	0	91,000
Track Refurbishment - Amagansett Youth Park	03/19/2015	45,000	2,000	0	43,000
Floating Gazebo - Kirk Park	04/02/2015	35,000	3,000	0	32,000
Improvements to Maidstone Lower Level Comfort Station	04/16/2015	25,000	2,000	0	23,000
Construction of Public Parking Lot in Montauk	11/05/2015	400,000	0	0	400,000
Acquisition of Fire Alarm - Security Sanitation	12/17/2015	40,000	0	0	40,000
Construction of Comfort Station in Amagansett	02/04/2016	300,000	0	0	300,000
Construction of Various Improvements to Recreation Center	12/17/2015	750,000	0	0	750,000
Increase and Improvement of Facilities of East Hampton Wastewater Disposal District Scavenger Facility	03/17/2016	400,000	0	0	400,000
Acquisition of a Port Security Marine Patrol Vessel	04/07/2016	600,000	0	0	600,000
Acquisition of Equipment Aquaculture Department - Heat Exchanger	05/19/2016	6,000	0	0	6,000
Acquisition of Various Equipment - Police	05/19/2016	30,000	0	0	30,000
Acquisition of Radar Units - Police	05/19/2016	18,000	0	0	18,000
Acquisition of Speeding Monitoring Devices	05/19/2016	19,100	0	0	19,100
Acquisition of Trailer for Lifeguards	05/19/2016	3,500	0	0	3,500
Acquisition of Trailer for Sailing Program	05/19/2016	15,000	0	0	15,000
Acquisition of Navigation Aids - Marine Patrol	05/19/2016	8,000	0	0	8,000
Replacement of RPZ Valves	06/02/2016	50,000	0	0	50,000
Installation of Storage Shed - Buildings	06/02/2016	7,500	0	0	7,500
Gazebo Improvements	06/02/2016	10,000	0	0	10,000
Fence Improvements	06/02/2016	30,000	0	0	30,000
Reconstruction of Star Island Boat Ramp	06/02/2016	13,000	0	0	13,000
Line Painting and Stripping	06/02/2016	15,000	0	0	15,000
Acquisition of Security System - Various Buildings	06/02/2016	30,000	0	0	30,000
Engineering for Bull Path Improvements	06/02/2016	20,000	0	0	20,000

(1) Amended by Resolution 271-2014.

Purpose	Authorization Date	Amount Outstanding	Principal Paydown	New Money	Amount to Notes
Acquisition of Beach Rake	05/19/2016	\$ 75,000	\$ 0	\$ 0	\$ 75,000
Acquisition of Packer Garbage Truck	05/19/2016	120,000	0	0	120,000
Acquisition of Street Sweeper Highway	05/19/2016	300,000	0	0	300,000
Acquisition of Snow Plow with Attachments	05/19/2016	75,000	0	0	75,000
Reconstruction of Heavy Duty Trucks	05/19/2016	150,000	0	0	150,000
Construction of Salt Barn	06/02/2016	300,000	0	0	300,000
Construction of Marine Patrol HQ Building Improvements	06/02/2016	15,000	0	0	15,000
Aquaculture Building Improvements	06/02/2016	100,000	0	0	100,000
Town Hall Roof Improvements	06/02/2016	200,000	0	0	200,000
Second House Comfort Station	06/02/2016	100,000	0	0	100,000
Roof Reconstruction - Various Buildings	06/02/2016	100,000	0	0	100,000
Fire/Burglar Systems (MM and Springs Lib)	06/02/2016	21,000	0	0	21,000
Garage Door – Montauk Highway Barn	06/02/2016	8,000	0	0	8,000
Door Replacement – Police Dept.	06/02/2016	83,000	0	0	83,000
Roof Replacement – Police Dept.	06/02/2016	100,000	0	0	100,000
Reconstruction of Field - Terry King	06/02/2016	40,000	0	0	40,000
Construction of Fence SYA Handball Courts	06/02/2016	10,000	0	0	10,000
Construction of Ballfield Irrigation Improvements	06/02/2016	20,000	0	0	20,000
Acquisition of Roll off Truck - Sanitation	08/04/2016	225,000	0	0	225,000
Skid Sanitation	08/04/2016	50,000	0	0	50,000
Reconstruction of Compost Building - Sanitation	08/04/2016	100,000	0	0	100,000
Construction of REC Center Improvements	06/16/2016	200,000	0	0	200,000
Installation of Lighting at Various Crosswalks	07/21/2016	375,000	0	0	375,000
Beach Walkway Improvements	07/21/2016	155,000	0	0	155,000
Preparation of Design Plans and Specifications in Connection with Reconstruction of Second House	08/04/2016	125,000	0	0	125,000
Construction of Improvement to Second House (Phase II)	05/04/2017	0	0	550,000	550,000
Acquisition of Records Management System 2	12/01/2016	0	0	550,000	550,000
Reconstruction of Old Town Hall	05/18/2017	0	0	100,000	100,000
ADA Improvement through Town	05/18/2017	0	0	100,000	100,000
Acquisition of Property in Amagansett	10/06/2016	0	0	1,295,000	1,295,000
Acquisition and Installation of Airport Perimeter Fence and Electronic Gates	10/20/2016	0	0	500,000	500,000
Construction of a Parking Lot	10/20/2016	0	0	220,000	220,000
Plans for Senior Center	02/02/2017	0	0	350,000	350,000
Acquisition of a Marine Patrol Vehicle	02/16/2017	0	0	37,000	37,000
Installation of a New Security Camera System at Airport	02/16/2017	0	0	75,000	75,000
Construction of a Fuel Farm at the East Hampton Airport	01/19/2017	0	0	1,400,000	1,400,000
Preparation of Plans, Studies, Specifications and Estimates for Taxiways at Airport	03/02/2017	0	0	260,000	260,000
Acquisition of Truck for Building Department	05/04/2017	0	0	30,000	30,000

Purpose	Authorization Date	Amount Outstanding	Principal Paydown	New Money	Amount to Notes
Acquisition of Sport Utility Vehicles	05/04/2017	\$ 0	\$ 0	\$ 73,600	\$ 73,600
Acquisition of Computer Docking Stations	05/04/2017	0	0	5,400	5,400
Lighting Improvements in Parking Lot at Terry King Ball Field	05/04/2017	0	0	5,000	5,000
Acquisition of Computer Hardware and Software	05/04/2017	0	0	73,340	73,340
Acquisition of an Outboard Motor	05/04/2017	0	0	5,000	5,000
Acquisition of a copier	05/04/2017	0	0	20,000	20,000
Acquisition of a Boat Trailer	05/04/2017	0	0	8,000	8,000
Acquisition of a Winch for Marine Patrol Trucks	05/04/2017	0	0	5,000	5,000
Acquisition of Beach Control Vehicle	05/04/2017	0	0	35,000	35,000
Acquisition of Safety Equipment for Ocean Rescue	05/04/2017	0	0	15,000	15,000
Acquisition of Four Wheel Drive Vehicle	05/04/2017	0	0	82,000	82,000
Acquisition of Utility Vehicle	05/04/2017	0	0	44,000	44,000
Acquisition of Computer Equipment and Software	05/18/2017	0	0	55,000	55,000
Replacement of Carpet in Police Building	05/18/2017	0	0	30,000	30,000
Acquisition of Equipment for Field Use and Storage	05/18/2017	0	0	46,500	46,500
Prepare Map and Survey for Installation of Cell Towers in Wainscott and Montauk	05/18/2017	0	0	10,000	10,000
Acquisition of Emergency Services Unit Equipment	05/18/2017	0	0	5,000	5,000
Acquisition of Computer Hardware and Software	05/18/2017	0	0	104,100	104,100
Acquisition of Buses	05/18/2017	0	0	50,000	50,000
Acquisition of Vehicles	05/18/2017	0	0	35,000	35,000
Removal of Fuel Tanks in various Locations in the Town	04/06/2017	0	0	135,000	135,000
Constructions of Sidewalk Improvements - Accabonac	05/18/2017	0	0	60,000	60,000
Construction of Windows – Wainscott	05/18/2017	0	0	75,000	75,000
Construction of Gann Road Building Improvements	05/18/2017	0	0	10,000	10,000
Construction of Aquaculture Facility Floors	05/18/2017	0	0	5,000	5,000
Construction of Aquaculture Building Molding	05/18/2017	0	0	150,000	150,000
Acquisition and Installation of Airport Equipment	05/18/2017	0	0	155,000	155,000
Increase and Improvement of Facilities of East Hampton Garbage and Refuse District	06/01/2017	0	0	46,000	46,000
Remediation of Mold at Police Department Headquarters	06/01/2017	0	0	40,000	40,000
Acquisition of Radio Communication System (Phase I)	05/04/2017 07/06/2017	0 0	0 0	6,550,000	6,550,000
Construction of Amagansett Youth Park Building	05/04/2017	0	0	18,000	18,000
Acquisition of Communications Equipment for the Harbormaster	05/04/2017	0	0	31,500	31,500
Construction of Road Improvements	05/04/2017	0	0	350,000	350,000
Construction of Sidewalk Improvements	05/04/2017	0	0	95,000	95,000
Acquisition of Highway Street Sweeper	05/04/2017	0	0	295,000	295,000
Acquisition of Highway Equipment Crack Sealer	05/04/2017	0	0	50,000	50,000
Acquisition of Highway Equipment Wood Chipper	05/04/2017	0	0	70,000	70,000
Acquisition of Pickup Truck - F350	05/04/2017	0	0	35,000	35,000
Acquisition of Pickup Truck - F250 with Plow	05/04/2017	0	0	45,000	45,000

Purpose	Authorization Date	Amount Outstanding	Principal Paydown ⁽¹⁾	New Money	Amount to Notes
Acquisition of Two Pickup Trucks - F250	05/04/2017	\$ 0	\$ 0	\$ 90,000	\$ 90,000
Acquisition of Pickup Truck - F150 Extended Cab	05/04/2017	0	0	45,000	45,000
Acquisition of Two Garbage Packers	05/04/2017	0	0	240,000	240,000
Acquisition of Beach Tractor	05/04/2017	0	0	70,000	70,000
Acquisition of Radio Upgrades - Public Safety	05/04/2017	0	0	24,000	24,000
Acquisition of Portable Radios and Communications Equipment	05/04/2017	0	0	73,000	73,000
Construction of Improvements to the Fowler House	05/04/2017	0	0	50,000	50,000
Construction of Affordable Housing Dwellings at Former Accabonac Tennis Club	07/06/2017	0	0	1,800,000	1,800,000
Acquisition of Computer Hardware and Software	07/06/2017	0	0	136,250	136,250
Planning Downtown Montauk Wastewater Management	07/20/2017	0	0	60,000	60,000
Planning for Road and Drainage Improvements	07/20/2017	0	0	40,000	40,000
Acquisition of Radios for Use by Town Lifeguards	07/06/2017	0	0	15,000	15,000
Construction of Beach Ramps and Walkways in Montauk	07/06/2017	0	0	180,000	180,000
Acquisition and Installation of a Waste Oil Heater - Highway Department	07/06/2017	0	0	30,000	30,000
Acquisition of a Low Boy Trailer - Highway Department	07/06/2017	<u>0</u>	<u>0</u>	<u>45,000</u>	<u>45,000</u>
	Totals	<u>\$ 7,481,300</u>	<u>\$ 118,000</u>	<u>\$ 17,287,690</u>	<u>\$ 24,650,990</u>

(1) In addition to the paydowns listed above, the Town is making paydowns in the aggregate amount of \$110,000 from available funds with respect to certain projects financed by the Town's \$11,056,899 Bond Anticipation Notes – 2016.

THE BONDS AND THE NOTES

Optional Redemption

The Bonds and the Notes will not be subject to redemption prior to maturity.

Nature of Obligation

The Bonds and the Notes when duly issued and paid for will constitute a contract between the Town and the holder thereof.

The Bonds and the Notes will be general obligations of the Town and will contain a pledge of the faith and credit of the Town for the payment of the principal thereof and the interest thereon. For the payment of such principal of and interest on the Bonds and the Notes, the Town has the power and statutory authorization to levy ad valorem taxes on all taxable real property in the Town, subject to certain statutory limitations imposed by the Tax Levy Limit Law. (See "Tax Levy Limit Law" herein.)

Under the Constitution of the State, the Town is required to pledge its faith and credit for the payment of the principal of and interest on the Bonds and the Notes, and the State is specifically precluded from restricting the power of the Town to levy taxes on real estate for the payment of interest on or principal of indebtedness theretofore contracted. However, the Tax Levy Limit Law imposes a statutory limitation on the Town's power to increase its annual tax levy. As a result, the power of the Town to levy real estate taxes on all the taxable real

property within the Town is subject to statutory limitations set forth in Tax Levy Limit Law, unless the Town complies with certain procedural requirements to permit the Town to levy certain year-to-year increases in real property taxes. (See “*Tax Levy Limit Law*” herein.)

REMEDIES UPON DEFAULT

Neither the Bonds and the Notes, nor the proceedings with respect thereto, specifically provide any remedies which would be available to owners of the Bonds and the Notes should the Town default in the payment of principal of or interest on the Bonds and the Notes, nor do they contain any provisions for the appointment of a trustee to enforce the interests of the owners of the Bonds and the Notes upon the occurrence of any such default. The Bonds and the Notes are general obligation contracts between the Town and the owners for which the faith and credit of the Town are pledged and while remedies for enforcement of payment are not expressly included in the Town’s contract with such owners, any permanent repeal by statute or constitutional amendment of a bondholder’s and/or noteholder’s remedial right to judicial enforcement of the contract should, in the opinion of Bond Counsel, be held unconstitutional.

Upon default in the payment of principal of or interest on the Bonds and the Notes at the suit of the owner, a Court has the power, in proper and appropriate proceedings, to render judgment against the Town. The present statute limits interest on the amount adjudged due to contract creditors to nine per centum per annum from the date due to the date of payment. As a general rule, property and funds of a municipal corporation serving the public welfare and interest have not been judicially subjected to execution or attachment to satisfy a judgment. A Court also has the power, in proper and appropriate proceedings, to order payment of a judgment on such bonds or notes from funds lawfully available therefor or, in the absence thereof, to order the Town to take all lawful action to obtain the same, including the raising of the required amount in the next annual tax levy. In exercising its discretion as to whether to issue such an order, the Court may take into account all relevant factors, including the current operating needs of the Town and the availability and adequacy of other remedies. Upon any default in the payment of the principal of or interest on the Bonds and the Notes, the owners of such Bonds and the Notes could, among other remedies, seek to obtain a writ of mandamus from a Court ordering the governing body of the Town to assess, levy and collect an ad valorem tax, upon all taxable property of the Town subject to taxation by the Town sufficient to pay the principal of and interest on the Bonds and the Notes as the same shall come due and payable (and interest from the due date to date of payment) and otherwise to observe the covenants contained in the Bonds and the Notes and the proceedings with respect thereto all of which are included in the contract with the owners of the Bonds and the Notes. The mandamus remedy, however, may be impracticable and difficult to enforce. Further, the right to enforce payment of the principal of or interest on the Bonds and the Notes may be limited by bankruptcy, insolvency, reorganization, moratorium and similar laws and equitable principles, which may limit the specific enforcement of certain remedies.

In 1976, the New York Court of Appeals, the State’s highest court, held in *Flushing National Bank v. Municipal Assistance Corporation for the City of New York*, 40 N.Y.2d 731 (1976), that the New York State legislation purporting to postpone the payment of debt service on New York City obligations was an unconstitutional moratorium in violation of the New York State constitutional faith and credit mandate included in all municipal debt obligations. While that case can be viewed as a precedent for protecting the remedies of Noteholders, there can be no assurance as to what a Court may determine with respect to future events, including financial crises as they may occur in the State and in municipalities of the State, that require the exercise by the State of its emergency and police powers to assure the continuation of essential public services. (See also, *Flushing National Bank v. Municipal Assistance Corporation for the City of New York*, 41 N.Y.2d 644 (1977), where the Court of Appeals described the pledge as a direct Constitutional mandate.)

As a result of the Court of Appeals decision, the constitutionality of that portion of Title 6-A of Article 2 of the Local Finance Law enacted at the 1975 Extraordinary Session of the State legislature authorizing any county, city, town or village with respect to which the State has declared a financial emergency to petition the State Supreme Court to stay the enforcement against such municipality of any claim for payment relating to any contract, debt or obligation of the municipality during the emergency period, is subject to doubt. In any event, no such emergency has been declared with respect to the Town.

Pursuant to Article VIII, Section 2 of the State Constitution, the Town is required to provide an annual appropriation of monies for the payment of due and payable principal of and interest on indebtedness. Specifically this constitutional provision states: "If at any time the respective appropriating authorities shall fail to make such appropriations, a sufficient sum shall be set apart from the first revenues thereafter received and shall be applied to such purposes. The fiscal officer of any county, city, town, village or school district may be required to set aside and apply such revenues as aforesaid at the suit of any holder of obligations issued for any such indebtedness." This constitutes a specific non-exclusive constitutional remedy against a defaulting municipality or school district; however, it does not apply in a context in which monies have been appropriated for debt service but the appropriating authorities decline to use such monies to pay debt service. However, Article VIII, Section 2 of the Constitution of the State also provides that the fiscal officer of any county, city, town, village or school district may be required to set apart and apply such revenues at the suit of any holder of any obligations of indebtedness issued with the pledge of the faith of the credit of such political subdivision. In *Quirk v. Municipal Assistance Corp.*, 41 N.Y.2d 644 (1977), the Court of Appeals described this as a "first lien" on revenues, but one that does not give holders a right to any particular revenues. It should thus be noted that the pledge of the faith and credit of a political subdivision in the State is a pledge of an issuer of a general obligation bond or note to use its general revenue powers, including, but not limited to, its property tax levy, to pay debt service on such obligations, but that such pledge may or may not be interpreted by a court of competent jurisdiction to include a constitutional or statutory lien upon any particular revenues. The Constitutional provision providing for first revenue set asides does not apply to tax anticipation notes, revenue anticipation notes or bond anticipation notes.

While the courts in the State have historically been protective of the rights of holders of general obligation debt of political subdivisions, it is not possible to predict what a future court might hold.

In prior years, certain events and legislation affecting a holder's remedies upon default have resulted in litigation. While courts of final jurisdiction have generally upheld and sustained the rights of bondholders and/or noteholders, such courts might hold that future events, including a financial crisis as such may occur in the State or in political subdivisions of the State, may require the exercise by the State or its political subdivisions of emergency and police powers to assure the continuation of essential public services prior to the payment of debt service.

No Past Due Debt

No principal or interest payment on Town indebtedness is past due. The Town has never defaulted in the payment of the principal of and/or interest on any indebtedness.

MUNICIPAL BANKRUPTCY

The undertakings of the Town should be considered with reference, specifically, to Chapter IX of the Bankruptcy Act, 11 U.S.C. §401, et seq., as amended ("Chapter IX") and, in general, to other bankruptcy laws affecting creditors' rights and municipalities. Chapter IX permits any political subdivision, public agency or instrumentality that is insolvent or unable to meet its debts (i) to file a petition in a Court of Bankruptcy for the purpose of effecting a plan to adjust its debts provided such entity is authorized to do so by applicable state law; (ii) directs such a petitioner to file with the court a list of a petitioner's creditors; (iii) provides that a petition filed under such chapter shall operate as a stay of the commencement or continuation of any judicial or other proceeding against the petitioner; (iv) grants priority to debt owed for services or material actually provided within three (3) months of the filing of the petition; (v) directs a petitioner to file a plan for the adjustment of its debts; and (vi) provides that the plan must be accepted in writing by or on behalf of creditors holding at least two-thirds (2/3) in amount or more than one-half (1/2) in number of the listed creditors.

Bankruptcy proceedings by the Town could have adverse effects on holders of bonds or notes including (a) delay in the enforcement of their remedies, (b) subordination of their claims to those supplying goods and

services to the Town after the initiation of bankruptcy proceedings and to the administrative expenses of bankruptcy proceedings and (c) imposition without their consent of a reorganization plan reducing or delaying payment of the Bonds and Notes. The Bankruptcy Code contains provisions intended to ensure that, in any reorganization plan not accepted by at least a majority of a class of creditors such as the holders of general obligation bonds, such creditors will have the benefit of their original claim or the “indubitable equivalent”. The effect of these and other provisions of the Bankruptcy Code cannot be predicted and may be significantly affected by judicial interpretation.

Accordingly, enforceability of the rights and remedies of the owners of the Bonds and Notes, and the obligations incurred by the Town, may become subject to Chapter IX and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditor’s rights generally, now or hereafter in effect, equity principles which may limit the specific enforcement under State law of certain remedies, the exercise by the United States of America of the powers delegated to it by the Constitution, the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose and the limitations on remedies against public agencies in the State. Bankruptcy proceedings, or the exercise of powers by the federal or State government, if initiated, could subject the owners of the Bonds and Notes to judicial discretion, interpretation and of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation, or modification of their rights.

The State has consented (see Title 6-A of the Local Finance Law) that any municipality in the State may file a petition with any United States district court or court of bankruptcy under any provision of the laws of the United States, now or hereafter in effect for the composition or adjustment of municipal indebtedness. However, it is noted that there is no record of any recent filings by a New York municipality. Since the New York City fiscal crisis in 1975, the State has legislated a finance control or review board and assistance corporations to monitor and restructure finance matters in addition to New York City, for the Cities of Yonkers, Troy and Buffalo and for the Counties of Nassau and Erie. Similar active intervention pursuant to State legislation to relieve fiscal stress for the Town in the future cannot be assured.

No current state law purports to create any priority for holders of the Bonds and Notes should the Town be under the jurisdiction of any court, pursuant to the laws of the United States, now or hereafter in effect, for the composition or adjustment of municipal indebtedness.

The above references to the Bankruptcy Act are not to be construed as an indication that the Town is currently considering or expects to resort to the provisions of the Bankruptcy Act.

Financial Control Boards

Pursuant to Article IX Section 2(b)(2) of the State Constitution, any municipality in the State may request the intervention of the State in its “property, affairs and government” by a two-thirds vote of the total membership of its legislative body or on request of its chief executive officer concurred in by a majority of such membership. This has resulted in the adoption of special acts for the establishment of public benefit corporations with varying degrees of authority to control the finances (including debt issuance) of the Cities of Buffalo, Troy and Yonkers and the County of Nassau. The specific authority, powers and composition of the financial control boards established by these acts varies based upon circumstances and needs. Generally, the State legislature has granted such boards the power to approve or disapprove budget and financial plans and to issue debt on behalf of the municipality, as well as to impose wage and/or hiring freezes and in certain cases approve or disapprove collective bargaining agreements. Implementation is generally left to the discretion of the board of the public benefit corporation. Such a State financial control board was first established for New York City in 1975. In addition, upon the issuance of a certificate of necessity of the Governor reciting facts which in the judgment of the Governor constitute an emergency requiring enactment of such laws, with the concurrences of two-thirds of the members elected in each house of the State legislature, the State is authorized to intervene in the “property, affairs and governments” of local government units. This occurred in the case of the County of Erie in 2005. The authority of the State to intervene in the financial affairs of a local government is further supported by Article VIII, Section 12 of the Constitution which declares it to be the duty of the State legislature to restrict,

subject to other provisions of the Constitution, the power of taxation, assessment, borrowing money and contracting indebtedness and loaning the credit of counties, cities, Towns and villages so as to prevent abuses in taxation and assessment and in contracting indebtedness by them.

In 2013, the State established a new state advisory board to assist counties, cities, Towns and villages in financial distress. The Financial Restructuring Board for Local Governments (the “FRB”), is authorized to conduct a comprehensive review of the finances and operations of any such municipality deemed by the FRB to be fiscally eligible for its services upon request by resolution of the municipal legislative body and concurrence of its chief executive. The FRB is authorized to make recommendations for, but cannot compel improvement of fiscal stability, management and delivery of municipal services, including shared services opportunities and is authorized to offer grants and/or loans of up to \$5,000,000 through a Local Government Performance and Efficiency Program to undertake certain recommendations. If a municipality agrees to undertake the FRB recommendations, it will be automatically bound to fulfill the terms in order to receive the aid.

The FRB is also authorized to serve as an alternative arbitration panel for binding arbitration.

Although from time to time there have been proposals for the creation of a statewide financial control board with broad authority over local governments in the State, the FRB does not have emergency financial control board powers to intervene in the finances and operations of entities such as the public benefit corporations established by special acts as described above.

Several municipalities in the State are presently working with the FRB. The Town has not applied to the FRB and does not reasonably anticipate submission of a request to the FRB for a comprehensive review of its finances and operations. School districts and fire districts are not eligible for FRB assistance.

BOOK-ENTRY-ONLY SYSTEM

The Depository Trust Company (“DTC”) will act as securities depository for the Bonds and for the Notes issued in book-entry form. Said Bonds and Notes will be issued as fully-registered bonds and notes 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 bond certificate will be issued for each maturity of the Bonds, and will be deposited with DTC. One fully-registered note certificate will be issued for each Note bearing the same rate of interest and CUSIP number, and will be deposited with DTC.

DTC, the world’s largest 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”). 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 and www.dtc.org.

Purchases of the Bonds and the Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds and the Notes on DTC's records. The ownership interest of each actual purchaser of each 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 Bonds and the Notes 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 Bonds and the Notes, except in the event that use of the book-entry system for the Bonds and the Notes is discontinued.

To facilitate subsequent transfers, all Bonds and the Notes 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 the Bonds and the Notes 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 Bonds and the Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds and the Notes 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.

Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds and the Notes unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the County 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 Bonds and the Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds and the Notes 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 County, on 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 securities 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 or the Town, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Town, 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 Bonds and the Notes at any time by giving reasonable notice to the Town. Under such circumstances, in the event that a successor depository is not obtained, bond certificates are required to be printed and delivered.

The Town may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, bond 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 sources that the Town believes to be reliable, but the Town takes no responsibility for the accuracy thereof.

Source: The Depository Trust Company

MARKET MATTERS AFFECTING FINANCINGS OF THE MUNICIPALITIES OF THE STATE

There are certain potential risks associated with an investment in the Bonds and the Notes, and investors should be thoroughly familiar with this Official Statement, including its appendices, in order to make an informed investment decision. Investors should consider, in particular, the following factors:

The Town's credit rating could be affected by circumstances beyond the Town's control. Economic conditions such as the rate of unemployment and inflation, termination of commercial operations by corporate taxpayers and employers, as well as natural catastrophes, could adversely affect the assessed valuation of Town property and its ability to maintain fund balances and other statistical indices commensurate with its current credit rating. As a consequence, a decline in the Town's credit rating could adversely affect the market value of the Bonds and the Notes.

If and when an owner of any of the Bonds and/or the Notes should elect to sell all or a part of the Bonds and/or the Notes prior to maturity, there can be no assurance that a market will have been established, maintained and continue in existence for the purchase and sale of any of those Bonds and/or the Notes. The market value of the Bonds and the Notes is dependent upon the ability of holder to potentially incur a capital loss if such Bonds and the Notes are sold prior to its maturity.

There can be no assurance that adverse events including, for example, the seeking by another municipality in the State or elsewhere of remedies pursuant to the Federal Bankruptcy Act or otherwise, will not occur which might affect the market price of and the market for the Bonds and the Notes. In particular, if a significant default or other financial crisis should occur in the affairs of the State or any of its municipalities, public authorities or other political subdivisions thereby possibly further impairing the acceptability of obligations issued by those entities, both the ability of the Town to arrange for additional borrowing(s) as well as the market for and market value of outstanding debt obligations, including the Bonds and the Notes, could be adversely affected.

The Town is dependent in part upon financial assistance from the State in the form of State aid as well as grants and loans to be received ("State Aid"). The Town's receipt of State aid may be delayed as a result of the State's failure to adopt its budget timely and/or to appropriate State Aid to municipalities and school districts. Should the Town fail to receive all or a portion of the amounts of State Aid expected to be received from the State in the amounts and at the times anticipated, occasioned by a delay in the payment of such moneys or by a reduction in State Aid or its elimination, the Town is authorized pursuant to the Local Finance Law ("LFL") to provide operating funds by borrowing in anticipation of the receipt of such uncollected State Aid, however, there can be no assurance that, in such event, the Town will have market access for any such borrowing on a cost effective basis. The elimination of or any substantial reduction in State Aid would likely have a materially adverse effect upon the Town requiring either a counterbalancing increase in revenues from other sources to the extent available or a curtailment of expenditures. (See also "State Aid" herein.)

Future amendments to applicable statutes whether enacted by the State or the United States of America affecting the treatment of interest paid on municipal obligations, including the Bonds and the Notes, for income taxation purposes could have an adverse effect on the market value of the Bonds and the Notes (see "Tax Matters" herein).

The enactment of the Tax Levy Limit Law, which imposes a tax levy limitation upon municipalities, school districts and fire districts in the State, including the Town, without providing exclusion for debt service on

obligations issued by municipalities and fire districts, may affect the market price and/or marketability for the Bonds and the Notes. (See “*The Tax Levy Limit Law*” herein.)

Federal or State legislation imposing new or increased mandatory expenditures by municipalities, school districts and fire districts in the State, including the Town could impair the financial condition of such entities, including the Town and the ability of such entities, including the Town to pay debt service on their respective obligations.

LITIGATION

The Town was made a defendant, together with the County of Suffolk and State of New York, in a matter entitled *Thomas Cangemi et al. v. Town of East Hampton, County of Suffolk, State of New York, Joe Martens, Acting Commissioner of the New York State Department of Environmental Conservation, and Ruth Noemi Colon, Acting Commissioner of the New York State Department of State*. This action sought to hold the Town responsible for damages to property of the Plaintiffs arising out of the existence of jetties at the Montauk Harbor Inlet, apparently constructed before the Town acquired the property in the late 1930s, which the Plaintiffs allege have been responsible for erosion of their property. Plaintiff’s sought injunctive relief and damages which are not presently known but are alleged to be in an aggregate amount in excess of \$25,000,000, and such damages, should the Town be found liable for all or part of the same, would not be covered by insurance. The Town has several defenses against the Claim and vigorously defended the action. The Town succeeded in a motion to dismiss the matter due to the Plaintiff’s failure to join the Army Corp of Engineers, a necessary party. The Plaintiffs have re-filed the complaint, this time including the Army Corps of Engineers as defendants, in the Federal court system. The Town submitted a motion to dismiss the complaint which was granted in part. Counsel concluded fact discovery which included a review of over 20,000 documents from the Army Corps of Engineers. Expert discovery is ongoing. The appraisal expert and coastal expert are currently preparing their respective reports to respond to the plaintiff’s reports in these areas. Counsel is confident that the established defenses to the claims for damages will substantially limit the Town’s exposure in a number of areas should the case go to trial.

Ferreira v. Town of East Hampton et al., (EDNY, J. Bianco, M.J. Lindsay)

In 2009, the Town issued numerous property maintenance violations against plaintiff Ferreira for his property located at 63 Navy Road, Montauk. The property is zoned a “light repair shop” and the plaintiff used the property as a junk yard incurring complaints from residential neighbors and summonses from the Town. Town Board resolutions 2009-705 and 2009-954 authorized enforcement actions against the property pursuant to Town Code section 167-12. The Town had the property cleaned up, removing cars from the property, and charged the cost back to the plaintiff on his tax bill. The plaintiff then brought this action in Federal court pursuant to §1983 alleging violations based on the following: an illegal bill of attainder; equal protection; procedural and substantive due process; the Sixth Amendment rights to a jury trial, to assistance of counsel, and to confront witness; the search and seizure protections of the Fourth Amendment; an excessive taking of property; and state created danger and seeks compensatory and punitive damages in the amount of \$25,000,000 against the Town and \$9,000,000 against the named Town employees. Sokoloff, Stern, LLP is representing the Town and Devitt Spellman Barrett, LLP is representing the named Town employees. The case is set for trial and the Town is awaiting the calendar date. Plaintiff’s remaining claims are against the Town for violations of the Fourth Amendment (unlawful entry/seizure) and procedural due process. This matter was settled between the parties with the inclusion of the Town’s insurance carrier, during trial in May 2016.

Maidstone, WJM Corp. vs. Town of East Hampton and Betsy Bambrick, David Browne in their official and individual capacities (CV-14-2487) – Summons & Complaint served upon the Town Clerk & Town Attorney’s office on May 30, 2014. The Plaintiffs claim violations under the Fair Housing Act, Civil Rights violations stemming from alleged “aggressive and unlawful” code enforcement, seeking approximately \$18,000,000 in damages. The Town submitted to New York Municipal Insurance Reciprocal (“NYMIR”) on May 30, 2014 and it was assigned to Devitt Spellman Barrett, David Arntsen, Esq. On December 8, 2014, Plaintiffs’ attorney withdrew the theories of the case encompassed under the First, Second, and Fourth Causes of Action (Fair

Housing, Fair Housing and Equal Protection Class of One) while retaining the due process allegations of the Third Cause of Action. Discovery was closed on August 17, 2015 and the Town submitted a motion for summary judgment. This matter will be tried in September 2016.

Harry J. Ellis v. William J. Wilkinson, individually and in his capacity as Supervisor of the Town of East Hampton, (CV-14-03538) – Complaint originally filed against several other Town employees “as their interests may appear” but was withdrawn and re-filed on July 10, 2014 only against the former Town Supervisor, William J. Wilkinson, seeking an unspecified amount of damages and attorney’s fees for various claims that the former Supervisor implemented and enforced policies that violated claimant’s constitutional rights. By Order of Honorable Joseph F. Bianco, dated March 23, 2015, this case was dismissed. To date, this determination has not been appealed.

The Town owns and operates the East Hampton Airport (the “Airport”), located on Daniels Hole Road in the Town. On April 21, 2015, the Friends of the East Hampton Airport et al. filed a lawsuit in the United States District Court for the Eastern District of New York challenging the Town’s April 16, 2015, enactment of three local laws designed to restrict aircraft operations at the East Hampton (the “Local Laws”); Friends of the East Hampton Airport et al v. Town of East Hampton (No. 15 Civ. 2246). The current list of Plaintiffs in the federal lawsuit is: Friends of the East Hampton Airport; Anlar Corporation; Associated Aircraft Group, Inc.; Eleventh Street Aviation, LLC; Helicopter Association International, Inc.; Heliflite Shares, LLC; Liberty Helicopters, Inc.; Sound Aircraft Services, Inc.; National Business Aviation Association, Inc. An additional prospective Plaintiff, Air Pegasus, has recently sought intervention. Friends of the East Hampton Airport, Inc. et al. allege the restrictions are preempted under the Supremacy Clause of the U.S. Constitution and violate the Commerce Clause of the U.S. Constitution because they unduly burden interstate commerce. On April 29, 2015, the Friends of the East Hampton Airport Inc., et al. filed a motion for a temporary restraining order in connection with this complaint, challenging the constitutionality of the Town’s Airport legislation. The Court issued a memorandum and order on June 26, 2015 allowing the Town to enforce two of the three adopted local laws that is, the laws imposing curfews on the use of the East Hampton Airport. The Town has appealed that portion of the order which denied the Town the ability to enforce the third local law has cross appealed. Briefs were submitted in November, 2015 and the parties are awaiting the Court’s decision.

On January 29, 2015, another 14 CFR Part 16 Complaint entitled Friends of East Hampton Airport, Inc. et al. v. Town of East Hampton and East Hampton Airport, was brought by a coalition including Friends of the East Hampton Airport, Inc; Anlar Corporation; Associated Aircraft Group, Inc.; Helicopter Association International, Inc.; Heliflite Shares LLC; Liberty Helicopters, Inc.; and Shoreline Aviation, Inc. (collectively, the “Complainants”) against the Town. The Complainants in this case are individuals and corporate entities that use the East Hampton Airport. This Part 16 Complaint alleges that the Town violated various FAA Grant Assurances by: (1) raising the landing fees and fuel flowage fees in 2014; (2) failing to have a compliant pavement maintenance management plan; (3) failing to properly maintain runways and aircraft ramp and apron areas in safe operating condition; (4) taking steps to permanently convert Runway 4-22 to a taxiway; (5) failing to properly maintain airport lighting; (6) failing to maintain an effective perimeter fence; (7) failing to timely install an FAA-certified Automated Weather Observing System (“AWOS”); (8) permitting non-aeronautical users of Airport property to pay below fair-market value rental rates; and (9) failing to remove trees that obstruct the approach path to Airport runways. Friends of the East Hampton Airport, Inc. et al v. Town of East Hampton. (FAA Docket No. 16-15-02). On May 1, 2015, the Town filed its Answer and accompanying brief. Damages are not available in a Part 16 proceeding; however, the FAA could order the Town to transfer funds from the Airport enterprise account to the airport fund to compensate for below-market rental rates should the complainants prevail.

Finally, On May 20, 2015, the National Business Aviation Association, Inc. and several of its members that operate at the East Hampton Airport filed a Part 16 Complaint, National Business Aviation Association, Inc. v. Town of East Hampton and East Hampton Airport, alleging two violations of FAA Grant Assurances in the enactment of the Local Laws. The Complainants in this case include Shoreline Aviation, Inc. (Connecticut); PlaneSense, Inc.; Fly the Whale, Inc.; Eastern Air Express, Inc.; FL Aviation Corporation; Tuckair Inc.; Autonomic Controls, Inc.; Shoreline Aviation, Inc. (Massachusetts); Wes Rac Contracting Corporation; Eagle Air, Inc; and JETAS Inc. The Town intends vigorously to defend its actions as being in compliance with Grant

Assurances. If the Town is unsuccessful, the FAA could direct that the Town rescind the Local Laws or the Town could lose the opportunity to receive future federal grants. As noted above, the Town has not taken any federal aviation grants since 2001 and has no current plan to seek future grants. As noted above, damages are not available in a Part 16 proceeding.

Various other notices of claim have been filed with the Town. The allegations set forth in the claims relate to various circumstances including personal injury, condemnation proceedings, civil rights violations and administrative determinations by Town officials. Certain claims assert money damages while others seek a specific action or forbearance on the part of the Town. In the opinion of the Town Attorney, the resolution of such various other claims presently pending against the Town will not have an adverse material effect on the Town's financial position. Such matters are immaterial or adequately covered by existing insurance coverage. Pursuant to the Local Finance Law, the Town is authorized to issue bonds or notes to finance judgments and claims, if necessary.

TAX MATTERS

Opinion of Bond Counsel

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the Town, under existing statutes and court decisions and assuming continuing compliance with certain tax certifications described herein, (i) interest on the Bonds and the Notes (collectively, the "Tax-Exempt Obligations") is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Tax-Exempt Obligations is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. The Tax Certificate of the Town (the "Tax Certificate"), which will be delivered concurrently with the delivery of the Tax-Exempt Obligations, will contain provisions and procedures relating to compliance with applicable requirements of the Code. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Town and others in connection with the Tax-Exempt Obligations, and Bond Counsel has assumed compliance by the Town with certain ongoing provisions and procedures set forth in the Tax Certificate relating to compliance with applicable requirements of the Code to assure the exclusion of interest on the Tax-Exempt Obligations from gross income under Section 103 of the Code.

In addition, in the opinion of Bond Counsel to the Town, under existing statutes, interest on the Tax-Exempt Obligations is exempt from personal income taxes of New York State and its political subdivisions, including The City of New York.

Bond Counsel expresses no opinion regarding any other Federal or state tax consequences with respect to the Tax-Exempt Obligations. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update, revise or supplement its opinion after the issue date to reflect any action hereafter taken or not taken, or any facts or circumstances that may hereafter come to its attention, or changes in law or in interpretations thereof that may hereafter occur, or for any other reason. Bond Counsel expresses no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the Tax-Exempt Obligations, or under state and local tax law.

Certain Ongoing Federal Tax Requirements and Certifications

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Tax-Exempt Obligations in order that interest on such Tax-Exempt Obligations be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Tax-Exempt Obligations, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross

proceeds be rebated to the Federal government. Noncompliance with such requirements may cause interest on the Tax-Exempt Obligations to become included in gross income for Federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The Town, in executing the Tax Certificate, will certify to the effect that the Town will comply with the provisions and procedures set forth therein and that it will do and perform all acts and things necessary or desirable to assure the exclusion of interest on the Tax-Exempt Obligations from gross income under Section 103 of the Code.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral Federal income tax matters with respect to the Tax-Exempt Obligations. It does not purport to address all aspects of Federal taxation that may be relevant to a particular owner of a Tax-Exempt Obligation. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the Federal tax consequences of owning and disposing of the Tax-Exempt Obligations.

Prospective owners of the Tax-Exempt Obligations should be aware that the ownership of such obligations may result in collateral Federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for Federal income tax purposes. Interest on the Tax-Exempt Obligations may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Original Issue Discount

“Original issue discount” (“OID”) is the excess of the sum of all amounts payable at the stated maturity of a Tax-Exempt Obligation (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates) over the issue price of that maturity. In general, the “issue price” of a maturity means the first price at which a substantial amount of the Tax-Exempt Obligations of that maturity was sold (excluding sales to bond houses, brokers, or similar persons acting in the capacity as underwriters, placement agents, or wholesalers). In general, the issue price for each maturity of the Tax-Exempt Obligations is expected to be the initial public offering price set forth in this Official Statement. Bond Counsel further is of the opinion that, for any Tax-Exempt Obligation having OID (a “Discount Obligation”), OID that has accrued and is properly allocable to the owners of the Discount Obligation under Section 1288 of the Code is excludable from gross income for Federal income tax purposes to the same extent as other interest on the Tax-Exempt Obligations.

In general, under Section 1288 of the Code, OID on a Discount Obligation accrues under a constant yield method, based on periodic compounding of interest over prescribed accrual periods using a compounding rate determined by reference to the yield on that Discount Obligation. An owner’s adjusted basis in a Discount Obligation is increased by accrued OID for purposes of determining gain or loss on sale, exchange, or other disposition of such Discount Obligation. Accrued OID may be taken into account as an increase in the amount of tax-exempt income received or deemed to have been received for purposes of determining various other tax consequences of owning a Discount Obligation even though there will not be a corresponding cash payment.

Owners of Discount Obligations should consult their own tax advisors with respect to the treatment of original issue discount for Federal income tax purposes, including various special rules relating thereto, and the state and local tax consequences of acquiring, holding, and disposing of Discount Obligations.

Bond Premium

In general, if an owner acquires a Tax-Exempt Obligation for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the Tax-Exempt Obligation after the acquisition date (excluding certain “qualified stated interest” that is unconditionally payable

at least annually at prescribed rates), that premium constitutes “bond premium” on that Tax-Exempt Obligation (a “Premium Obligation”). In general, under Section 171 of the Code, an owner of a Premium Obligation must amortize the bond premium over the remaining term of the Premium Obligation, based on the owner’s yield over the remaining term of the Premium Obligation, determined based on constant yield principles (in certain cases involving a Premium Obligation callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such Premium Obligation). An owner of a Premium Obligation must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner’s regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Obligation, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Obligation may realize a taxable gain upon disposition of the Premium Obligation even though it is sold or redeemed for an amount less than or equal to the owner’s original acquisition cost. Owners of any Premium Obligations should consult their own tax advisors regarding the treatment of bond premium for Federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of Premium Obligations.

Information Reporting and Backup Withholding

Information reporting requirements will apply to interest on tax-exempt obligations, including the Tax-Exempt Obligations. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, “Request for Taxpayer Identification Number and Certification,” or if the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to “backup withholding,” which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a “payor” generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Tax-Exempt Obligation through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Tax-Exempt Obligations from gross income for Federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner’s Federal income tax once the required information is furnished to the Internal Revenue Service.

Miscellaneous

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Tax-Exempt Obligations under Federal or state law or otherwise prevent beneficial owners of the Tax-Exempt Obligations from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) and such decisions could affect the market price or marketability of the Tax-Exempt Obligations.

Prospective purchasers of the Tax-Exempt Obligations should consult their own tax advisors regarding the foregoing matters.

LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the Bonds and the Notes are subject to the respective approving legal opinions of Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel. The respective opinions of Bond Counsel will be in substantially the forms attached hereto in Appendices D and E.

DISCLOSURE UNDERTAKINGS

Disclosure Undertaking for the Bonds

In order to assist the purchasers in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (“Rule 15c2-12”) with respect to the Bonds, the Town will execute a Certificate to Provide Continuing Disclosure, the form of which is attached hereto as Appendix F.

Disclosure Undertaking for the Notes

In order to assist the purchasers in complying with Rule 15c2-12 with respect to the Notes, the Town will execute a Certificate to Provide Notices of Events, the form of which is attached hereto as Appendix G.

Compliance History

Since 2007, there have been in excess of 50 rating actions reported by Moody’s Investors Service, Standard & Poor’s Rating Corporation and Fitch Ratings affecting the municipal bond insurance companies, some of which had insured bonds previously issued by the Town. Due to widespread knowledge of these rating actions, material event notices were not filed by the Town in each instance.

The Town did not file an event notice related to its rating upgrade by Moody’s Investors Service, Inc. from ‘A1’ to ‘Aa3’ on August 13, 2013.

RATING

The Town has applied to Moody’s Investors Service, Inc. (“Moody’s”) for a rating on the Bonds. Such application is pending at this time. The Town did not apply to Moody’s for a rating on the Notes.

On August 9, 2016, Moody’s upgraded the Town’s long-term, uninsured credit rating from ‘Aa2’ to ‘Aa1’, and revised the outlook on such rating from stable to positive.

With respect to the Moody’s rating applicable to uninsured debt, such rating reflects only the views of Moody’s and any desired explanation of the significance of such rating should be obtained from Moody’s, at the following address: Moody’s Investors Service, Inc., 7 World Trade Center at 250 Greenwich Street, New York, New York 10007. There can be no assurance that such rating will continue for any specified period of time or that such rating will not be revised or withdrawn, if in the judgment of Moody’s circumstances so warrant. Any such change or withdrawal of such rating may have an adverse effect on the market price of the Bonds or the Notes or the availability of a secondary market for the Bonds or the Notes.

MUNICIPAL ADVISOR

Capital Markets Advisors, LLC, Great Neck and New York, New York, (the “Municipal Advisor”) is an independent municipal advisor registered with the United States Securities and Exchange Commission and the Municipal Securities Rulemaking Board. The Municipal Advisor has served as the independent financial advisor to the District in connection with this transaction.

In preparing the Official Statement, the Municipal Advisor has relied upon governmental officials, and other sources, who have access to relevant data to provide accurate information for the Official Statement. The Municipal Advisor has not been engaged, nor has it undertaken, to independently verify the accuracy of such information. The Municipal Advisor is not a public accounting firm and has not been engaged by the District to compile, review, examine or audit any information in the Official Statement in accordance with accounting standards. The Municipal

Advisor is not a law firm and does not provide legal advice with respect to this or any debt offerings of the District. The Municipal Advisor is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities and therefore will not participate in the underwriting of the Bonds or the Notes.

ADDITIONAL INFORMATION

Additional information may be obtained from Mr. Len Bernard, Town Budget Officer, 159 Pantigo Road, East Hampton, New York 11937, (631) 907-8719, or from the Town's Municipal Advisor, Capital Markets Advisors, LLC, 11 Grace Avenue, Suite 308, Great Neck, New York 11021, (516) 487-9817.

The Town will act as Paying Agent with respect to the Bonds and the Notes issued in book-entry form. The Town Clerk, Carole A. Brennan, (631) 324-4142, cbrennan@town.east-hampton.ny.us should be used as the Paying Agent contact.

Any statements in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representations of fact. No representation is made that any of such statements will be realized. This Official Statement is not to be construed as a contract or agreement between the Town and the original purchasers or holders of any of the Bonds and the Notes.

Capital Markets Advisors, LLC may place a copy of this Official Statement on its website at www.capmark.org. Unless this Official Statement specifically indicates otherwise, no statement on such website is included by specific reference or constitutes a part of this Official Statement. Capital Markets Advisors, LLC has prepared such website information for convenience, but no decisions should be made in reliance upon that information. Typographical or other errors may have occurred in converting original source documents to digital format, and neither the Town nor Capital Markets Advisors, LLC assumes any liability or responsibility for errors or omissions on such website. Further, Capital Markets Advisors, LLC and the Town disclaim any duty or obligation either to update or to maintain that information or any responsibility or liability for any damages caused by viruses in the electronic files on the website. Capital Markets Advisors, LLC and the Town also assume no liability or responsibility for any errors or omissions or for any updates to dated website information.

This Official Statement is submitted only in connection with the sale of the Bonds and the Notes by the Town and may not be reproduced or used in whole or in part for any other purpose. The preparation and distribution of this Official Statement has been authorized by the Supervisor of the Town, as Chief Fiscal Officer thereof.

TOWN OF EAST HAMPTON
SUFFOLK COUNTY, NEW YORK

By: _____
Larry Cantwell
Supervisor

DATED: August __, 2017

APPENDIX A

THE TOWN

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THE TOWN

General Information

The Town is the easternmost town on Long Island. It encompasses a land area of approximately 70 square miles on Long Island's south fork and has almost 70 miles of waterfront on three sides. The Town is bordered by the Town of Southampton to the west, the Atlantic Ocean to the east and south and Gardiners Bay to the north.

The land comprising the Town was purchased from the Montauket Indians and covered approximately 30,000 acres. The first settlement within the present jurisdiction of the Town was made by Lion Gardiner on his privately-owned Gardiners Island in 1639, but organized settlement did not take place until 1648. The original name of the Town was Maidstone but fourteen years later became known as East Hampton. Whaling, fishing, farming and cattle-raising were the basis of the settlers' early economy.

Present day East Hampton provides many artistic, cultural and historic points of interest including the Second House Museum, Old Hook Mill (built in 1806 and later restored), Deep Hollow Ranch (the oldest cattle ranch in America), and Guild Hall, home of the John Drew Theater. The Atlantic Ocean, the bays and the harbors remain the Town's prime attractions, providing swimming, boating and fishing for summer visitors and year-round residents alike.

The Town owns and operates the East Hampton Airport (the "Airport"), located on Daniels Hole Road in the Town. (See "*LITIGATION*" herein).

Form of Government

The Town of East Hampton was established in 1788 by the State as a separate political entity vested with independent taxing and debt authority. There is one incorporated village wholly situated within the Town's borders, the Village of East Hampton, and a portion of a second village, Sag Harbor. The Town has four independently governed school districts wholly located within its borders and portions of two others, all of which rely on their taxing powers granted by the State to raise revenues for school district purposes. The school districts use the Town's assessment roll as the basis for taxation of property within the Town. The Town has four fire districts wholly or partially located within its borders, all of which rely on their taxing powers granted by the State to raise revenues for fire district purposes.

The legislative power of the Town is vested in the Town Board. The Town Board consists of five members, including the Town Supervisor. The Supervisor is the presiding member and Chief Fiscal Officer of the Town and is elected for a term of two years. The four other members of the Town Board are elected to four-year terms. All the Town Board members are elected at-large. There are no limitations as to the number of terms which they may serve.

The Town Clerk serves as custodian of the Town's legal documents and papers, maintains the minutes of proceedings of the Town Board and is responsible for the publication and filing of all official notices. Pursuant to the Town Law, the Clerk is elected to serve a four-year term. The number of terms the Clerk may serve is unlimited. The Town Budget Officer is responsible for the Town's fiscal affairs and the efficient operation of the Finance Department, including establishing and maintaining records of and controls on all monies received by the Town, all accounts maintained by the Town and all claims against the Town. The Town Receiver of Taxes is responsible for receiving and collecting all State, County, Town and School taxes and all assessments that may be levied in the Town. Other officers of the Town include: the Highway Superintendent, which is a two-year elected position; the Town Assessors, who are elected to four-year terms; the Town Attorney and Town Receiver of Taxes, who are appointed by the Town Board.

Services

The Town is responsible for providing most governmental services to its residents. Water service is provided by the Suffolk County Water Authority and sewerage is provided by the individual private property owner although the Town does accept sewage from private haulers for processing at its own treatment facility. Highway construction and maintenance is a Town function. In addition, recreation is provided via parks and beaches which are maintained through Town government. Other services performed at the Town level include: property assessment, building inspection, zoning administration and the local justice court system. The Town furnishes police protection, while the State police provide intermittent patrols of highways and the County police supply special police services. Fire protection is contracted for through the Town's several fire protection districts. Education is the responsibility of the six independent school districts located in whole or in part in the Town. The County provides various social and health services. Certain services are provided through Town-operated Special Districts. Town-operated Special Districts are managed and operated by the Town Board.

Employees

The Town provides services through approximately 317 full-time as well as additional part-time employees. The Civil Service Employees Association (the "CSEA") represents 190 employees, the East Hampton Police Benevolent Association (the "PBA") represents 65 employees and 12 dispatchers are represented by their own union. The CSEA contract expires on December 31, 2018. The PBA and dispatchers' contracts expire on December 31, 2020.

Employee Pension Benefits

Substantially all employees of the Town are members of the New York State and Local Employees' Retirement System (the "Retirement System" or "ERS") or the New York State and Local Police and Fire Retirement System ("PFRS"). (Both systems are referred to together hereinafter as the "Retirement Systems" where appropriate.) The Retirement Systems are a cost-sharing multiple public employer retirement system. The obligation of employers and employees to contribute and the benefits to employees are governed by the New York State Retirement and Social Security Law (the "Retirement System Law"). The Retirement Systems offer a wide range of plans and benefits which are related to years of service and final average salary, vesting of retirement benefits, death and disability benefits and optional methods of benefit payments. All benefits generally vest after five years of credited service, except for members hired after January 1, 2010 whose benefits vest after ten years of credited service. The Retirement System Law generally provides that all participating employers in the Retirement Systems are jointly and severally liable for any unfunded amounts. Such amounts are collected through annual billings to all participating employers. Generally, all employees, except certain part-time employees, participate in the Retirement Systems. The Retirement Systems are non-contributory with respect to members hired prior to July 27, 1976. All members hired on or after July 27, 1976 through and including December 31, 2009, must contribute three percent of their gross annual salary toward the costs of retirement programs until they attain ten years in the Retirement Systems, at such time contributions become voluntary. Members hired after January 1, 2010 must contribute three percent or more of their gross annual salary toward the costs of retirement programs for the duration of their employment.

Police officers and firefighters who are members of PFRS are divided into four tiers. As with ERS, retirement benefit plans available under PFRS are most liberal for Tier 1 employees. The plans adopted for PFRS employees are noncontributory for Tier 1 and Tier 2 employees. Police officers and firefighters that were hired between July 1, 2009 and January 8, 2010 are currently in Tier 3, which has a 3% employee contribution rate by members. There is no Tier 4 in PFRS. Police officers and firefighters hired after January 9, 2010 are in Tier 5 which also requires a 3% employee contribution from members. Police officers and firefighters hired after April 1, 2012 are in Tier 6, which also originally had a 3% contribution requirement for members for FY 12-13; however, as of April 1, 2013, Tier 6 PFRS members are required to contribute a specific percentage of their annual salary, as follows, until retirement or until the member has reached 32 years of service credit, whichever occurs first: \$45,000.00 or less contributes 3%; \$45,000.01 to \$55,000.00 contributes 3.5%; \$55,000.01 to \$75,000.00 contributes 4.5%; \$75,000.01 to \$100,000.00 contributes 5.75%; and more than \$100,000.00 contributes 6%.

The billing cycle for employer contributions to the ERS retirement system to match budget cycles of the Town. Under the previous method, the Town was not provided with the required payment until after its budget was implemented. Under the reforms implemented, the employer contribution for a given fiscal year will be based on the value of the pension fund on the prior April 1, instead of the following April 1. As a result, the Town is notified of and can include the actual cost of the employer contribution in its budget. The Town is also required to make a minimum payment of 4.5% of payroll each year, including years in which investment performance of the fund would make a lower employer contribution possible. The pension payment date for all local governments is February 1. The New York State Retirement System has advised the Town that municipalities can elect to make employer contribution payments in the December or the following February, as required. If such payments are made in the December prior to the scheduled payment date in February, such payments may be made at a discount amount. The Town prepaid its employer contribution in December in the years 2004 through and including 2011. The Town did not prepay its employer contribution in December 2012 or December 2013. The Town did prepay its employer contribution in December 2014, 2015 and 2016.

Beginning July 1, 2013, a voluntary defined contribution plan option will be made available to all unrepresented employees of New York State public employers hired on or after that date, and who earn \$75,000 or more on an annual basis.

Due to significant capital market declines in 2008 and 2009, the State's Retirement System portfolio has experienced negative investment performance and severe downward trends in market earnings. As a result of the foregoing, the employer contribution rate for the State's Retirement System continues to be higher than the minimum contribution rate established by Chapter 49. Contribution rates are expected to remain higher than the minimum contribution rates set by Chapter 49 in the near-term. To mitigate the expected increases in the employer contribution rate in 2010, legislation was enacted that authorizes local governments and school districts to borrow a portion of their required payments from the State pension plan at an interest rate of 5%. This legislation also requires those local governments and school districts, who decide to amortize their pension obligations pursuant to this law, to establish reserve accounts to fund payment increases that are a result of fluctuations in pension plan performance. The Town did not participate in the 2010 pension amortization plan.

In Spring 2013, the State and ERS approved a Stable Contribution Option ("SCO"), which modified the 2010 law discussed above, that gives municipalities the ability to better manage the spikes in Actuarially Required Contribution rates ("ARCs"). The plan allows municipalities to pay the SCO amount in lieu of the ARC amount, which is higher, and defer the difference in payment amounts as described below. The Town has not and will not be participating in the ERS SCO plan at this time or in the foreseeable future.

Other Post Employment Benefits

GASB Statement No. 45 ("GASB 45") of the Governmental Accounting Standards Board ("GASB"), requires state and local governments to account for and report their costs associated with post-retirement healthcare benefits and other non-pension benefits ("OPEB"). GASB 45 generally requires that employers account for and report the annual cost of the OPEB and the outstanding obligations and commitments related to OPEB in essentially the same manner as they currently do for pensions. Under previous rules, these benefits have generally been administered on a pay-as-you-go basis and have not been reported as a liability on governmental financial statements. Only current payments to existing retirees were recorded as an expense.

GASB 45 requires that state and local governments adopt the actuarial methodologies to determine annual OPEB costs. Annual OPEB costs for most employers will be based on actuarially determined amounts that, if paid on an ongoing basis, generally would provide sufficient resources to pay benefits as they come due.

Under GASB 45, based on actuarial valuation, an annual required contribution ("ARC") will be determined for each state or local government. The ARC is the sum of (a) the normal cost for the year (the present value of future benefits being earned by current employees) plus (b) amortization of the unfunded accrued liability (benefits already earned by current and former employees but not yet provided for), using an amortization period of not more than 30 years. If a municipality contributes an amount less than the ARC, a net OPEB obligation will result, which is required to be recorded as a liability on its financial statements.

GASB 45 does not require that the unfunded liabilities actually be funded, only that the Town account for its unfunded accrued liability and compliance in meeting its ARC. Actuarial valuation will be required every 2 years for the Town.

The Town is in compliance with the requirements of GASB 45. The Town has determined that its actuarial accrued liability (“AAL”) for OPEB as of January 1, 2016 was approximately \$111,012,000. For financial reporting purposes, the Town has elected to amortize the AAL over 30 years. For the year ended December 31, 2016, the Town's ARC was \$9,137,000. At this time, New York State has not developed guidelines for the creation of methods for the funding of OPEB. As a result, the Town has decided to continue funding the expenditure on a pay-as-you-go basis.

Should the Town be required to fund their unfunded actuarial accrued OPEB liability, it could have a material adverse impact upon the Town’s finances and could force the Town to reduce services, raise taxes or both.

The State Comptroller has proposed legislation to create an optional investment pool to help the State and local governments fund retiree health insurance and other post employment benefits. The State Comptroller’s proposal would authorize the creation of irrevocable OPEB trusts so that the State and its local governments can help fund their OPEB liabilities, establish an OPEB investment fund in the sole custody of the State Comptroller for the investment of OPEB assets of the State and participating eligible local governments, designate the president of the Civil Service Commission as the trustee of the State’s OPEB trust and the governing boards as trustee for local governments and allow school districts to transfer certain excess reserve balances to an OPEB trust once it is established. Under the State Comptroller’s proposal, there are no limits on how much a local government can deposit into the trust. The Town cannot predict whether such proposed legislation will be enacted into law.

Health Care Benefits

The Town provides health care benefits to both current and retired Town employees and their dependents. All full-time Town employees are eligible for benefits while employed by the Town and substantially all of the Town’s employees become eligible for benefits if they reach normal retirement age while working for the Town.

The Empire Plan (“NYSHIP”) was implemented as of January 1, 2009 and Town employees became insured by NYSHIP as of that date. The Town’s total health care expenditures for 2013 were covered by its 2013 budget appropriations (\$8.1 million budgeted and \$7.9 million expended). The Town’s total health care expenditures for 2014 were covered by its 2014 budget appropriations (\$8.1 million budgeted and \$7.7 million expended). The Town’s total health care expenditures for 2015 were covered by its 2015 budget appropriations (\$8.4 million budgeted and \$8.1 million expended). The Town’s total health care expenditures for 2016 were covered by its 2016 budget appropriations (\$8.7 million budgeted and \$8.23 million expended). The Town’s 2017 Adopted Budget appropriates \$9.51 million for health care expenditures and expects that such appropriation will be sufficient to pay the expected health care expenditures of the Town in fiscal year 2017.

The Town has determined not to finance future expenditures associated with retiree healthcare benefits for eligible Town employees. Said expenditures are paid on a current basis to eligible retirees. It is likely that the cost of providing these benefits will increase in the future as the costs of the medical care to be provided increases and the number of retired Town employees eligible for such benefits increases. (See “*Other Post Employment Benefits*” herein.)

FINANCIAL FACTORS

Financial Operations

The Supervisor is the Chief Fiscal Officer of the Town as provided in Section 2.00 of the Local Finance Law; and the Town Budget Officer is the chief fiscal advisor to the Town Board. The current Supervisor, Larry Cantwell, was elected in November 2013 and took office on January 1, 2014. The Supervisor was reelected in November 2015. The Town's previous Budget Officer resigned in May 2009 and subsequently, his duties were assumed on a temporary basis by the Town Comptroller. In January 2010, the Town Comptroller was replaced by the new Town Budget Officer who is responsible for the Town's fiscal affairs and the efficient operation of the Finance Department, including establishing and maintaining records of and controls on all monies received by the Town, all accounts maintained by the Town and all claims against the Town. The Town Budget Officer, working with various Town officials, addressed and corrected the material weaknesses and other findings cited by the independent auditors in their report for the fiscal year ended December 31, 2007, as well as, the findings cited in the report of examination covering the period January 1, 2007 through March 31, 2008 issued by the Office of the New York State Comptroller in October, 2009. The Town has also addressed the findings set forth in the grand jury report dated May 27, 2010.

Pursuant to Section 30.00 of the Local Finance Law, the Supervisor has been authorized by the Town Board to issue and sell bonds and notes. As required by law, the Supervisor must execute an authorizing certificate, which is then filed with the Town Clerk.

The Town Board, as a whole, serves as the finance board of the Town and is responsible for authorizing, by resolution, all material financial transactions, including the development of operating and capital budgets and the issuance of indebtedness.

Budgetary Procedure

The Supervisor, with the assistance of the Town Budget Officer, prepares a preliminary budget for submission to the Town Board. The budget process, including preparation, approval and amendment thereof, is determined by Article 8 of the Town Law. According to law, the tentative budget must be filed in the office of the Town Clerk on or before September 30th of each year. The tentative budget is submitted to the Town Board not later than October 5th. Following review and modification, a preliminary budget hearing is held by November 15th. At this hearing, members of the public may express opinions, which the Town Board may take under advisement. Approval of the budget is not subject to a vote of the electorate and the Town Board may make changes following the hearing process. The Town Board is required to adopt the final annual budget by November 20th. From time to time, the Town Board may make changes or modifications in the amount of annual appropriations subject to legal provisions.

The Tax Levy Limit Law imposes a limitation on increases in the real property tax levy of the Town, subject to certain exceptions outlined in the new law. All budgets of the Town adopted in accordance with the procedure discussed herein must comply with the requirements of the Tax levy Limit Law. (See "*Tax Levy Limit Law*" herein.)

Basis of Accounting

The Town complies with the Uniform System of Accounts as prescribed for towns in the State. This system conforms to generally accepted accounting principles as promulgated in the "Codification of Governmental Accounting and Financial Reporting Standards", as published by the Governmental Accounting Standards Board in connection with the Government Accounting Research Foundation of the Government Finance Officers' Association.

The Town prepares an annual financial report, which must be filed with the State Comptroller. Financial statements are annually audited by an independent public accountant and the Town is audited periodically by the State Comptroller. (See "*Independent Audits*" herein.)

Town finances are operated primarily through two general funds and various special revenue funds. These two general funds are needed because some Town functions are not provided to incorporated villages in the Town, which instead provide these functions. The two general funds are called "Townwide" and "Part Town" funds. Current operating expenditures are paid from the funds subject to available appropriations. Capital projects and equipment purchases are accounted for in special capital projects funds. The Town observes a calendar fiscal year for operating and reporting purposes.

Formal Reserve Policy

After a public hearing, the Town Board adopted a Formal Reserve Policy for the Town on September 19, 2002 which has as its goal the maintenance of a 20% fund balance reserve in all funds. For several years prior to 2010, the Town accumulated substantial deficits in several funds and did not have a General Fund balance reserve (see “*Deficit Financing*” herein.) However, since 2010, the Town began the process of replenishing fund balance and creating dedicated reserves for a portion of that fund balance. (See “*Recent Operating Results*” herein.)

Fiscal Recovery Plan and the Implementation of New Internal Controls

For several years prior to 2010, the Town experienced financial difficulties as a result of consistently underbudgeting expenses and overbudgeting revenues. During the period 2005 through 2008, the Town’s former Budget Officer unlawfully used Community Preservation Fund monies to fund the Town’s operating expenses, thus concealing consecutive years of operating deficits. A copy of the grand jury report dated May 27, 2010 detailing the Town’s recent financial difficulties, as well as, the Town’s response to the recommendations cited in the report are available upon request.

The Town has taken the following steps since 2010 to address the financial difficulties that it faced:

Pursuant to Special State Legislation, the Town Board was authorized to issue bonds or notes to fund the accumulated deficit in its General Fund. The Town Board adopted two bond resolutions authorizing the issuance of not to exceed \$30,000,000 in serial bonds to fund its deficits. In October 2008, the Town issued \$10,000,000 Bond Anticipation Notes, 2008 Series C to fund deficits accumulated in 2007 and 2008. On June 16, 2009, the State Comptroller certified the Town’s deficit for the fiscal year ended December 31, 2007 in the amount of \$10,000,000. In June 2010, the Town issued \$9,490,000 General Obligation Serial Bonds – 2010 Series A, after making a \$510,000 principal paydown on outstanding bond anticipation notes, following the receipt of such certification.

On March 2, 2011 the Office of the State Comptroller certified the Town’s accumulated deficit at December 31, 2009 as follows:

Whole Town General Fund	\$17,173,845
Part-Town General Fund	<u>10,084,057</u>
Total Deficit	<u>\$27,257,902</u>

On June 2, 2011, the Town issued an additional \$11,775,000 deficit bonds to fund the accumulated deficit at December 31, 2009. The balance of the Town’s deficit was reduced as a result of positive operations for the fiscal year ended December 31, 2010. The Town is not authorized to issue any additional bonds or notes pursuant to the Special State Legislation or the bond resolutions adopted by the Town pursuant to such Special State Legislation. (See “*Deficit Financing*” herein.)

Based on the Town’s audited financial statements for the fiscal year ended December 31, 2010, the Town generated an \$11.3 million operating surplus in its General Fund (Townwide and Part-town) for the fiscal year ended December 31, 2010. A portion of this surplus was used to reduce the General Fund deficit; repay all Town funds which were owed money from the General Fund; and fund new reserves established by the Town Board.

In 2011, the Town continued its fiscal recovery such that positive operating performance and results together with the deficit financing resulted in the first positive cumulative fund balances in the General Fund (Townwide and Part-Town) since 2004. (See “*Recent Operating results*” herein.)

The Town's year-end 2012 and 2013 financial performance for the General Fund (Townwide and Part-Town) was better than what was budgeted and the Town realized operating surpluses in those funds which added to the Town's cumulative fund balance in those funds. (See also "*Recent Operating results*" herein.) For 2014, audited results indicated that overall fund surplus decreased by a net \$326,264, which included a net decrease of \$956,649 in the Townwide General Fund and a net increase of \$630,385 in the Part-town General Fund. For 2015, audited results indicated that overall fund surplus increased by a net \$4,110,761, which included a net increase of \$2,752,215 in the Townwide General Fund and a net increase of \$1,358,546 in the Part-town General Fund.

Fiscal Recovery Initiatives

The Town Board adopted measures to reduce expenditures and increase revenues during the 2009, 2010 and 2011 fiscal years, which improved the Town's financial performance. In addition, the Town changed from self insured health insurance to the Empire Plan (NYSHIP), which saved the Town as much as \$2.5 million in 2009, \$3 million in 2010 and \$2.5 million in 2011. The Town's adopted a budget for 2009 included a 24% property tax increase. The Town also retained a new auditing firm which allowed the Town to deliver its 2012, 2013, 2014, 2015 and 2016 audited financial statements in a timely manner and should allow the Town to continue to deliver its annual audits in a timely manner in future years. The Town has also produced a Comprehensive Annual Financial Report (CAFR) for 2013, 2014, 2015 and 2016. A link to the CAFR for 2016 is provided in Appendix C.

Since January 1, 2010, the Town Board has taken a number of actions to improve the Town's finances. These actions include:

- New internal controls related to purchasing and procurement as well as the transfer and use of funds have been implemented.
- The redrafting and strengthening of the Town's Purchasing and Procurement policy.
- The submission of a three year financial plan for the Town to the State Comptroller.
- The use of a Town Budget Advisory Committee to assist in creating new policies and procedures.
- Participation in the New York State early retirement incentive program which resulted in a reduction of 33 full time positions in 2010. This created a savings of \$2.7 million in annual salary and benefit costs for 2011.
- Staff reduction of 18 open positions that were funded and either not filled on January 1, 2010 or became unfilled during 2010. Those positions remained vacant and were eliminated in the 2011 budget, thus creating additional savings of \$1.53 million.
- The generation of over \$150,000 in revenue from a combination of new boat slip and parking fees, and the sale of surplus equipment.
- Proposed cuts in services and programs that generated approximately \$1.2 million in savings on a recurring basis, including the elimination of the leaf pick up program in Fall 2010 and the closure of a Town recycling center one day per week which began on April 6, 2011.
- In 2013, the Town sold its half interest in a golf course owned jointly with the town of Southampton for \$2.2 million. In 2014, the Town received an additional \$250,000 following the sale of its half interest in the golf course representing "profits" from the golf course that were kept in a reserve by the town of Southampton for capital improvements which were split with the Town following the sale of the property.
- Since 2012, deficit related debt payments are listed as a separate line item in the Town budget. The goal was to isolate non-deficit related spending and taxes and to keep that spending and tax as level as possible.
- Fee increases were implemented in the Summer of 2011 for items taken in at the Town's recycling center. Fees have continued to be adjusted as needed.
- The Town carefully monitors cash flow on a regular basis (as recommended by the State Comptroller's Office) to ensure all actions taken are done so prudently and in a manner that is fiscally responsible and fair to taxpayers.
- The Town continues to hold the line on full-time staffing. The full-time staff have been between 300 and 320 over the last five years.

- The Town has created an Internal Audit function to ensure departments have implemented proper internal controls, and to review on a periodic basis the financial and operational activities of the Town.
- The Town continues to scrutinize all vacated positions to determine if replacement staff is necessary or if better management structure is a viable alternative.
- In 2011, the Town reorganized its Human Resources division by streamlining and incorporating the functions into the Finance division. The reorganization has saved the Town \$140,000 in recurring annual costs while not reducing service to employees or County Civil Service.
- The Town did not exceed the State-imposed Tax Levy Limit Law in its 2012 through 2017, inclusive, adopted budgets.
- In the 2013 budget, new software was used that tied actual individual salaries to the amount of benefit costs they would produce in terms of social security taxes, retirement contributions, and MTA tax.
- In preparing the 2013 budget, department heads were able to use the new software to enter their department's budget and make month-by-month spending and revenue projections that would allow more precise budget monitoring during the fiscal year and thus create greater assurances that spending would be controlled. The departments continue to use the software more effectively every year.
- The Town continues to budget projected revenues conservatively to ensure positive operating performance. For example, in 2016 the Town budgeted \$4.25 million for mortgage tax receipts and received \$5.2 million, an almost \$1 million positive variance.
- The Office of the State Comptroller reviewed the 2017 Tentative Budget and had no comments, finding that all major revenue and expenditure projections were reasonable.
- The Town did not exceed the State-imposed Tax Levy Limit Law in its 2016 operating budget and tax rates rose a modest 1.687% outside the villages and 0.654% inside the villages.
- In 2017, the Town again did not exceed the State-imposed tax Levy Limit Law with tax rates increasing a modest 1.06% outside the villages and declining by 3.96% inside the villages.
- Town indebtedness declined as a result of a capital policy to borrow no more in a given year than the amount of debt which is retired. Town indebtedness has declined by almost 27% since 2010, which has put the Town in a position to fund some important capital improvements and projects without having to be concerned about excessive indebtedness.
- The 2016 Comprehensive Annual financial report showed a \$2.5 million operating surplus in the Town-wide General Fund and a \$1.95 million operating surplus in the Part-town General Fund. The total General Fund balance of \$21.7 million strongly illustrates that the Town has fully recovered from its 2009 cumulative general fund deficit of \$27.3 million.

In addition, the Town Budget Officer has assessed the design and operating effectiveness of selected internal controls which has provided an improved understanding of the flow of transactions, including information technology aspects to identify points at which financial misstatements can occur. In particular, a new method of tracking all capital projects and finances related to those projects has been designed. Budget software has been implemented by the Town which will allow the tracking of capital projects and underlying sources of funding. The travel policy for all Town employees was revised for 2011 and internal controls and segregation of duties were implemented with respect to the transfer of funds between bank accounts and wiring of funds. Internal controls continued to be strengthened throughout 2013 and into 2014 with the establishment of the Town's Internal Audit Division, which has evaluated such things as controls and checks over petty cash funds and the operation of the Town's information technology function. In the Town's audited financial statements for the fiscal years ended December 31, 2012 through 2016, inclusive, the Town's auditors did not find any significant internal control problems with respect to Town operations. As a result, the Town anticipates achieving increased efficiency and cost effectiveness in its operations. (See "*Health Care Benefits*" and "*Deficit Financing*" herein.)

The Town also engaged the services of a public auditing firm to review the past operations of the Human Services Department, one of the largest functions in Town government, for the purpose of identifying efficiencies that can be implemented and potentially providing savings to the Town over the long term. The report was issued by the Town's independent auditors (Nawrocki Smith LLP) with multiple recommendations for improving operations and maintaining better records. Many of those recommendations have been implemented. A copy of this report is available upon request.

The Town received an award from the Secretary of State of the State of New York in recognition of the Town's re-engineering of local government through reorganization, streamlining and reduction in staffing through attrition. The award was presented to only 13 municipalities in the State and only two on Long Island, including the Town. The Town received \$536,000 as part of the award to be used towards future capital improvements.

Deficit Financing

The Town Board approved a Home Rule Request in furtherance of Senate Bill S.8502 and Assembly Bill A. 11554 and pursuant to Article IX of the State Constitution and Municipal Home Rule Law, requesting the New York State Legislature enact legislation to permit the Town to finance its accumulated deficit under Section 10.10 of the Local Finance Law ("Section 10.10"). The New York State Legislature approved the enactment of this legislation as Chapter 282 of the Laws of 2008 ("Chapter 282"). Chapter 282 authorized the Town to issue debt totaling fifteen million dollars (\$15,000,000) to liquidate the accumulated deficit in the Town's General Fund as of December 31, 2007 and December 31, 2008. Any bonds issued pursuant to Chapter 282 were required to be issued by December 31, 2009. On September 5, 2008, the Town Board unanimously adopted a bond resolution which authorized the issuance of serial bonds, subject to the provisions of Section 10.10 of the New York State Local Finance Law, on or before December 31, 2009, in an aggregate principal amount not to exceed fifteen million dollars (\$15,000,000) for the purpose of liquidating actual deficits in its General Fund at the close of the fiscal years ended December 31, 2007 and December 31, 2008. On July 11, 2009, the Governor of the State of New York signed into law an extension (Chapter 190 of the Laws of 2009 ("Chapter 190")) which gave the Town an additional six months to issue bonds to fund the cumulative deficit by June 30, 2010.

The Town had sought legislative approval to issue an additional fifteen million dollars (\$15,000,000) in bonds to fully finance the actual General Fund deficits as of the fiscal years ended December 31, 2007 through December 31, 2009, inclusive and to extend the date by which long term bonds must be issued to fund the amount of the deficit from June 30, 2010 to December 31, 2011. Legislation was enacted by both the New York State Senate and New York State Assembly (Senate Bill 6730 and Assembly Bill 9817) and signed into law by the Governor as Chapter 126 of 2010. As a result of the foregoing, the total amount of bonds and notes that was authorized to be issued to fund Town deficits was \$30,000,000.

The Town must submit to the New York State Comptroller each year, starting with the fiscal year during which the Town was authorized to issue obligations to liquidate its General Fund deficits and for each subsequent fiscal year during which the deficit obligations are outstanding, its tentative or preliminary budget for the succeeding fiscal year. The New York State Comptroller must examine the proposed budget and make recommendations for any changes that are needed to bring the proposed budget into balance. Such recommendations are made after the examination into the estimates of revenues and expenditures of the Town. The Town Board must review all recommendations made by the New York State Comptroller and may make adjustments to its proposed budget consistent with those recommendations. All recommendations that the Town Board rejects must be explained in writing to the Office of the New York State Comptroller. The Town may not issue bonds or notes for any purpose until it has responded in writing to the recommendations made by the New York State Comptroller's Office.

For each fiscal year that any bonds or notes issued to fund the deficits are outstanding, the Town must prepare a quarterly report of summarized budget data depicting trends of actual revenues and budget expenditures for the entire budget. Such budgetary reports must compare revenue estimates and appropriations as set forth in the budget with actual revenues and expenditures made to date. The report must also contain a corrective action plan to address any unfavorable budget variances. All reports must be completed within thirty (30) days after the end of each quarter and must be submitted at the end of each quarter to each member of the Town Board, the Director of the New York State Division of Budget, the State Comptroller and the Chairs of the Senate Finance Committee and the Assembly Ways and Means Committee.

In addition, for each fiscal year that any bond or notes issued to fund the deficits are outstanding, the Town must prepare a three (3) year financial plan covering the next succeeding fiscal year and the two fiscal years thereafter. The financial plan must contain the information required by paragraph (e) of Section 10.10 and must be submitted to each member of the Town Board, the Director of the New York State Division of Budget, the State Comptroller and the Chairs of the Senate Finance Committee and the Assembly Ways and Means Committee.

For each fiscal year occurring during the time bonds and/or bond anticipation notes issued to fund the deficits are outstanding, the Town Supervisor must notify the State Comptroller at least fifteen (15) days prior to the issuance of any bonds or notes or entering into any installment purchase contract by the Town.

On October 21, 2008, the Town negotiated the sale of a \$10,000,000 bond anticipation note, which closed on October 28, 2008 (the "October Deficit Note"). The October Deficit Note, issued pursuant to the bond resolution adopted by the Town Board on September 5, 2008, funded the Town's then-estimated accumulated deficit. On March 25, 2009, the Town issued a \$15,000,000 bond anticipation note (the "March Deficit Note"). The proceeds from the sale were used to redeem the October Deficit Note which matured on March 26, 2009 and provided an additional \$5,000,000 in original financing to finance an estimated accumulated deficit of \$15,000,000. These notes were subsequently renewed on March 25, 2009 and again on December 8, 2009. Such notes matured on June 30, 2010 and were redeemed with the proceeds of the Town's \$9,490,000 General Obligation Serial Bonds – 2010 Series A, budgetary appropriations in the amount of \$510,000 and the proceeds of the Town's \$5,000,000 General Obligation Bond Anticipation Notes – 2010 Series B (the "June Deficit Note") which matured on March 25, 2011. On August 30, 2010, the Town issued a \$5,800,000 bond anticipation note (the "August Deficit Note") which matured on March 25, 2011. The June Deficit Notes and August Deficit Notes were redeemed with the proceeds from the sale of the Town's \$10,345,000 General Obligation Bond Anticipation Notes – 2011 Series A (the "March 2011 Deficit Note") and budgetary appropriations of \$455,000. On March 2, 2011, the Town's accumulated general fund deficit was certified by the State Comptroller in the amount of \$27,257,902. On June 2, 2011, the Town issued \$11,775,000 General Obligation Serial Bonds – 2011 Series A which redeemed the March 2011 Deficit Note and issued an additional \$4,550,000 for purposes of financing the Town's deficit. The Town issued \$25,350,000 in bonds and notes to fund its accumulated deficit. The balance of its deficit was reduced as a result of positive operations for the fiscal year ended December 31, 2010. The Town is not authorized to issue any additional bonds or notes pursuant to the Special State Legislation or the bond resolution adopted by the Town pursuant to such Special State Legislation. The Town has filed quarterly reports and a three year financial plan update with the Office of the State Comptroller as required by New York State Local Finance law. The Town has also had its yearly tentative budget audited by the Office of the State Comptroller. The Town is current with all required filings with the State and has received no comments or negative feedback from the State on its tentative budgets for the last three years.

Capital Project Fund, Community Preservation Fund Audit and Other Matters

For a number of years, the Town made transfers between various funds, including the General Fund, Capital Project Fund and Community Preservation Fund ("CPF"), the accounting of which did not always comply with applicable accounting principles and applicable law. Consequently, the Town has sought to give proper accounting treatment to its capital projects and CPF, including a review and reconciliation of all capital expenditures and interfund transfers made over the past several years. The Town had concerns with respect to the accuracy and completeness of record keeping, possible unrecorded interfund liabilities, improper practices and inadequate controls in prior years. All capital projects of the Town for the period commencing on January 1, 2003 and ending on December 31, 2009, were reviewed. Although the original intent was that this analysis would be completed by Town personnel during the third quarter of 2009, the Town Board subsequently retained Nawrocki Smith LLP to expand its year-end audit procedures to include an analysis of the Town's CPF and the Capital Projects Fund. The analysis of the CPF was completed in May 2010. The financial portion of the analysis of the Capital Project Fund was completed and is incorporated in the 2009 audit. Conclusions reached based upon the review of the CPF and Capital Project Fund were a key component in determining the amount of the Town's accumulated General Fund deficit for the fiscal year ended December 31, 2009. The results of the analysis contributed to the General Fund deficits and enabled the independent auditors and the Office of the New York State Comptroller to confirm the cumulative amount of the Town's Townwide and Part-Town deficits.

In addition, the Town engaged Cullen & Danowski, LLP, Certified Public Accountants, to do a complete audit of CPF for 2007 and 2008, which included an audit of finances, procedures, the application of the law, the use of funds for stewardship, the accuracy of calculations performed at sales closings and other relevant matters. A report was released in June 2011 and is available upon request. The auditors have now completed audits of the CPF through the end of 2011

and have found that all management and internal controls recommended are in place and all funds previously moved to other funds have been returned, with interest, to the CPF making the fund totally whole.

On December 4, 2008, the Town sold a 26-unit housing project located on Springs Fireplace Road (the "Housing Project") to the East Hampton Housing Authority, a body corporate and politic, which is a municipal housing authority created and established for the Town under the Public Housing Law. The Authority funded the purchase of the Housing Project through the issuance of bonds of the Authority, guaranteed by the Town. The \$4,250,000 proceeds from this sale were not included in the Town's Fiscal Year 2008 budget, but were deposited in the Town's Capital Fund to replenish approximately \$3.8 million of monies which had been borrowed by the Town to finance the reconstruction of Town Hall facilities, but were instead spent on the Housing Project at a time when reconstruction of the Town Hall facilities was delayed. The next administration recognized that these transactions were not properly accounted for and safeguards have been implemented to ensure that such a situation is never repeated.

Recent Operating Results

For the fiscal years ended December 31, 2003 to December 31, 2008, the Town accumulated significant deficits in its General Fund (Townwide and Part Town Funds). As a result of the issuance of deficit bonds by the Town in 2010 and 2011, such accumulated deficits were eliminated. (See "*Deficit Financing*" herein.) As of December 31, 2009, the accumulated General Fund deficits certified by the State Comptroller were \$27,257,902. For 2009, the audited figures for the Townwide and Part Town fund balances vary with the General Fund deficits certified by the State Comptroller due to several adjustments made by the State Comptroller, working with the Town's independent accountants following the issuance of the 2009 audit report. The primary changes were the reclassification of a portion of the deficit from the Townwide General Fund to the Part Town General Fund, Scavenger Fund and Airport Fund. The modifications were reflected as a prior period adjustment in the 2010 independent audit. As of the fiscal year ended December 31, 2011, the General Fund (Townwide and Part Town) had positive cumulative fund balances. Based upon audited results, this positive trend continued through the fiscal year ended December 31, 2016.

General Fund – Townwide

For the fiscal year ended December 31, 2012, based on audited figures, the Townwide General Fund revenues and other sources were \$32,455,177 and Townwide General Fund expenditures and other uses were \$30,260,010. Based on audited figures, the Town recognized an operating Townwide General Fund surplus, including other sources and uses, of \$2,195,167 which when added to the fund balance at the beginning of the year resulted in a cumulative Townwide General Fund balance of \$8,953,855.

For the fiscal year ended December 31, 2013, based on audited figures, the Townwide General Fund revenues and other sources were \$30,523,043 and Townwide General Fund expenditures and other uses were \$28,801,239. Based on audited figures, the Town recognized an operating Townwide General Fund surplus, including other sources and uses, of \$1,721,804 which when added to the restated fund balance at the beginning of the year of \$6,062,402 resulted in a cumulative Townwide General Fund balance of \$7,784,206.

For the fiscal year ended December 31, 2014, based on audited figures, the Townwide General Fund revenues and other sources were \$43,857,739 and Townwide General Fund expenditures and other uses were \$44,814,388. Based on audited figures, the Town recognized an operating Townwide General Fund deficit, including other sources and uses, of \$956,649 which when subtracted from the restated fund balance at the beginning of the year of \$8,017,050 resulted in a cumulative Townwide General Fund balance of \$7,060,401.

For the fiscal year ended December 31, 2015, based on audited figures, the Townwide General Fund revenues and other sources were \$51,978,238 and Townwide General Fund expenditures and other uses were \$49,226,023. Based on audited figures, the Town recognized an operating Townwide General Fund surplus, including other sources and uses, of \$2,752,215 which when added to the fund balance at the beginning of the year of \$7,060,401 resulted in a cumulative Townwide General Fund balance of \$9,812,616.

For the fiscal year ended December 31, 2016, based on audited figures, the Townwide General Fund revenues and other sources were \$35,953,443 and Townwide General Fund expenditures and other uses were \$33,451,388. Based on audited figures, the Town recognized an operating Townwide General Fund surplus, including other sources and uses, of \$2,502,055 which when added to the fund balance at the beginning of the year of \$9,812,616 resulted in a cumulative Townwide General Fund balance of \$12,314,671. A link to a copy of the Town's Audited Financial Statements for the Fiscal Year ended December 31, 2016 is included as Appendix C herein.

Part Town Fund

For the fiscal year ended December 31, 2012, based on audited figures, the Part Town Fund revenues and other sources were \$22,186,136 and Part Town Fund expenditures and other uses were \$22,180,770. The Town recognized an operating Part Town Fund surplus, including other sources and uses, of \$5,366, resulting in a cumulative Part Town Fund balance of \$1,420,843.

For the fiscal year ended December 31, 2013, based on audited figures, the Part Town Fund revenues and other sources were \$24,024,083 and Part Town Fund expenditures and other uses were \$22,804,596. The Town recognized an operating Part Town Fund surplus, including other sources and uses, of \$1,219,487, which when added to the restated fund balance at the beginning of the year of \$4,218,718 resulted in a cumulative Part Town Fund balance of \$5,438,205.

For the fiscal year ended December 31, 2014, based on audited figures, the Part Town Fund revenues and other sources were \$23,930,105 and Part Town Fund expenditures and other uses were \$23,299,720. The Town recognized an operating Part Town Fund surplus, including other sources and uses, of \$630,385, which when added to the fund balance at the beginning of the year of \$5,438,205 resulted in a cumulative Part Town Fund balance of \$6,068,590.

For the fiscal year ended December 31, 2015, based on audited figures, the Part Town Fund revenues and other sources were \$24,529,702 and Part Town Fund expenditures and other uses were \$23,171,156. The Town recognized an operating Part Town Fund surplus, including other sources and uses, of \$1,358,546, which when added to the fund balance at the beginning of the year of \$6,068,590 resulted in a cumulative Part Town Fund balance of \$7,427,136.

For the fiscal year ended December 31, 2016, based on audited figures, the Part Town Fund revenues and other sources were \$26,106,998 and Part Town Fund expenditures and other uses were \$24,154,530. The Town recognized an operating Part Town Fund surplus, including other sources and uses, of \$1,952,468, which when added to the fund balance at the beginning of the year of \$7,427,136 resulted in a cumulative Part Town Fund balance of \$9,379,604. A link to a copy of the Town's Audited Financial Statements for the Fiscal Year Ended December 31, 2016 is included as Appendix C herein.

Independent Audits

The Financial Statements for the fiscal years 2002 through and including 2006 were audited by the firm of Albrecht, Viggiano, Zureck & Company, P.C., Certified Public Accounts ("AVZ"). The Town retained the firm of Nawrocki Smith LLP, Certified Public Accountants (the "Auditors") to audit the Town's financial statements for its 2007 through 2016 fiscal years, inclusive. AVZ was retained as a consultant to the Town, assisted in the bookkeeping of the Town's financial records and compiled the Town's financial statements for the year ended December 31, 2007. The Town requested an extension from the New York State Office of the State Comptroller to complete its 2007 and 2008 audits. The Town's audit for its 2007 Fiscal Year was completed in February 2009. The Town's audit for its 2008 Fiscal Year was completed in June 2010. Appendix B to the Official Statement presents excerpts from the Town's most recent audited reports covering the fiscal years ended December 31, 2012 through 2016, inclusive.

In addition, the Office of the State Comptroller has released a report to the Town related to the CPF fund as of March 31, 2008. Said report is available upon request to the Town. In addition, the Town is subject to audit by the State Comptroller to review compliance with legal requirements and the rules and regulations established

by the State. In October 2009, the Office of the State Comptroller released a report to the Town related to general Town operations as of March 31, 2008. The Town provided a response in April 2010. A copy of the report and the response are available upon request to the Town.

The Town has submitted quarterly financial reports to the State Comptroller's office through the second quarter of 2017 as required by the Special State Legislation adopted by the New York State Legislature authorizing the Town to issue bonds and/or notes to finance its accumulated General Fund deficit and will continue to file quarterly reports while the bonds issued to fund the Town's accumulated General Fund deficit are outstanding. The Town is current with the State Comptroller's Office for all required reporting associated with the deficit financing. (See "*Deficit Financing*" herein.)

The State Comptroller's Fiscal Stress Monitoring System and Compliance Reviews

The New York State Comptroller has reported that New York State's school districts and municipalities are facing significant fiscal challenges. As a result, the Office of the State Comptroller ("OSC") has developed a Fiscal Stress Monitoring System ("FSMS") to provide independent, objectively measured and quantifiable information to school district and municipal officials, taxpayers and policy makers regarding the various levels of fiscal stress under which the State's school districts and municipalities are operating.

The fiscal stress scores are based on financial information submitted as part of each school district's ST-3 report filed with the State Education Department annually, and each municipality's annual report filed with the State Comptroller. Using financial indicators that include year-end fund balance, cash position and patterns of operating deficits, the system creates an overall fiscal stress score which classifies whether a school district or municipality is in "significant fiscal stress", in "moderate fiscal stress," as "susceptible to fiscal stress" or "no designation". Entities that do not accumulate the number of points that would place them in a stress category will receive a financial score but will be classified in a category of "no designation." This classification should not be interpreted to imply that the entity is completely free of fiscal stress conditions. Rather, the entity's financial information, when objectively scored according to the FSMS criteria, did not generate sufficient points to place them in one of the three established stress categories.

The most current applicable report of the State Comptroller designates the Town as "no designation."

See the State Comptroller's official website for more information on FSMS. Reference to this website implies no warranty of accuracy of information therein.

The financial affairs of the Town are subject to periodic compliance reviews by OSC to ascertain whether the Town has complied with the requirements of various State and federal statutes. The complete report can be obtained from OSC's website.

Revenues

The Town derives its revenues primarily from real property taxes and special assessments, State aid, and departmental fees and charges. (See "*Statement of Revenues, Expenditures and Changes in Fund Balance*" in Appendix B herein). Property taxes accounted for 64.1% of total General Fund (Townwide) revenues and 81.0% of total General Fund (Part Town) revenues for the fiscal year ended December 31, 2016, while State aid accounted for 17.9% of total General Fund (Townwide) revenues for the same period. State aid revenues have accounted for less than 1% of the total General Fund (Part Town) revenues for the past five fiscal years and thus are not shown in the tables that follow. The General Fund (Part Town) covers the unincorporated areas of the Town.

Real Property Taxes

The following table sets forth total General Fund (Townwide) revenues and real property taxes received for each of the last five audited fiscal years and the amount budgeted for the current fiscal year.

Real Property Taxes – Townwide

<u>Fiscal Year Ended December 31:</u>	<u>Total Revenues</u>	<u>Real Property Taxes</u>	<u>Real Property Taxes to Revenues</u>
2012	\$28,167,268	\$19,541,503	69.4%
2013	29,719,137	17,746,993	59.7
2014	28,577,996	18,538,476	64.9
2015	29,761,518	19,255,338	64.7
2016	30,038,805	19,251,964	64.1
2017 (Adopted Budget)	30,538,137	18,888,948	61.9

Source: Audited Financial Statements and Adopted Budget of the Town.

The following table sets forth total General Fund revenues (Part Town) and real property taxes received for each of the last five audited fiscal years and the amount budgeted for the current fiscal year.

Real Property Taxes - Part Town

<u>Fiscal Year Ended December 31:</u>	<u>Total Revenue</u>	<u>Real Property Taxes</u>	<u>Real Property Taxes to Revenues</u>
2012	\$22,186,057	\$19,305,992	87.0%
2013	23,573,433	20,470,089	86.8
2014	23,920,936	20,442,181	85.5
2015	24,523,745	20,741,753	84.6
2016	26,083,547	21,133,417	81.0
2017 (Adopted Budget)	25,828,555	22,019,448	85.3

Source: Audited Financial Statements and Adopted Budget of the Town.

State Aid

The Town receives financial assistance from the State. State aid accounted for 17.9% of the total General Fund (Townwide) revenues of the Town during the 2016 fiscal year. State aid is budgeted to be 14.7% of the total General Fund (Townwide) revenues in 2017. A substantial portion of the State aid received is directed to be used for specific programs.

Due to the recent fiscal crisis, there have been reductions in State aid to local governments and school districts, including the Town, in past fiscal years. In addition, the Town had realized significant reductions in Mortgage Recording Tax in some recent fiscal years, which had an impact on the overall financial condition of the Town. However, in 2013 through 2016, inclusive, the Town experienced increases in Mortgage Recording Tax receipts, which exceeded budgeted amounts for those years.

If the State should experience difficulty in borrowing funds in anticipation of the receipt of State taxes in order to pay State aid to municipalities and school districts in the State, including the Town, in this year or future years, the Town may be affected by a delay in the receipt of State aid until sufficient State taxes have been received by the State to make State aid payments. Additionally, if the State should not adopt its budget in a timely manner,

municipalities and school districts in the State, including the Town, may be affected by a delay in the payment of State aid.

Reductions in Federal funding levels could have a materially adverse impact on the State budget. In addition to the potential fiscal impact of policies that may be proposed and adopted by the new administration and Congress, the State budget may be adversely affected by other actions taken by the Federal government, including audits, disallowances, and changes to Federal participation rates or other medicaid rules.

There can be no assurance that the State’s financial position will not change materially and adversely from current projections. If this were to occur, the State would be required to take additional gap-closing actions. Such actions may include, but are not limited to: reductions in State agency operations; delays or reductions in payments to local governments. Reductions in the payment of State aid could adversely affect the financial condition of local governments in the State, including the Town. (See also “*MARKET MATTERS AFFECTING FINANCINGS OF MUNICIPALITIES OF THE STATE*” herein.)

The State is not constitutionally obligated to maintain or continue State aid to the Town. No assurance can be given that present State aid levels will be maintained in the future. State budgetary restrictions which eliminate or substantially reduce State aid could have a material adverse affect upon the Town, requiring either a counterbalancing increase in revenues from other sources to the extent available, or a curtailment of expenditures.

The following table sets forth total General Fund (Townwide) revenues and State aid received for each of the last five audited fiscal years and the amount budgeted for the current fiscal year.

<u>State Aid – Townwide Only</u>			
<u>Fiscal Year</u> <u>Ended December 31</u>	<u>Total</u> <u>Revenues⁽¹⁾</u>	<u>State Aid</u>	<u>Ratio of State Aid to</u> <u>Total Revenues</u>
2012	\$28,167,268	\$3,990,596	14.2%
2013	29,719,137	4,900,796	16.5
2014	28,577,996	5,133,780	18.0
2015	29,761,518	5,110,949	17.2
2016	30,038,805	5,367,693	17.9
2017 (Adopted Budget)	30,538,137	4,480,000	14.7

(1) General Fund, Townwide only.

Source: Audited Financial Statements and Adopted Budget of the Town.

State aid revenues have accounted for less than 1% of the total General Fund (Part Town) revenues for each of the past five fiscal years, and, thus are not shown here. The Part Town Fund covers only those unincorporated sections of the Town.

Real Estate Transfer Tax

In 1998, the Town, along with four other East End towns on Long Island, were authorized by the New York State Legislature to collect a 2% real estate transfer tax to achieve open space and farmland preservation through the voluntary acquisition of land and development rights in targeted areas pursuant to a Community Preservation Project Plan (the “Plan”). Such transfer tax monies are restricted and are not generally available for ordinary Town purposes.

One of the goals of the Plan is to preserve lands which contain: “fresh and saltwater marshes”; “aquifer recharge areas”; “undeveloped beach lands or shoreline”, “pine barrens”; and “rivers, river areas in natural, free flowing condition”. In addition, the plan states that the preservation of “unique or threatened ecological areas” will be considered for protection of unique costal or estuarine habitats. Furthermore, the Plan allows for “restoration and preservation of historic properties”.

The Plan's primary purpose is to protect the above described lands from development by preserving them through land purchases, purchases of development rights, and conservation easements. According to the Plan, stopping or reducing development will limit the amount of fertilizers, pesticides, oil spills and leaks, septic system leaks, and street runoff which would otherwise drain into our surface waters or groundwater recharge areas. This plan will also protect surface water and groundwater by limiting development through the purchase of land or development or development rights.

The 2% real estate tax is collected by Suffolk County and transferred to the Town monthly, in arrears, to its Community Preservation Fund. The tax was implemented on April 1, 1999. The revenues of the Community Preservation Fund are expected to be used to pay debt service on the bonds issued to finance these land purchases. In 2011, the Community Preservation Fund generated revenues of \$14,340,048 based on audited results. The Community Preservation Fund spent \$15,986,361 on debt service and new land acquisition. The fund balance in the Community Preservation Fund as of December 31, 2011 was \$32,003,565. In 2012, the Community Preservation Fund generated revenues of \$22,165,704 based on audited results. The Community Preservation Fund spent \$17,962,769 on debt service and new land acquisition. The fund balance in the Community Preservation Fund as of December 31, 2012 was \$36,206,500. In 2013, the Community Preservation Fund generated revenues of \$28,481,877 based on audited results. The Community Preservation Fund spent \$8,984,622 on debt service and new land acquisition. The fund balance in the Community Preservation Fund as of December 31, 2013 was \$55,703,755. In 2014, the Community Preservation Fund generated revenues of \$32,308,648 based on audited results. The Community Preservation Fund spent \$40,599,493 on debt service and new land acquisition. The fund balance in the Community Preservation Fund as of December 31, 2014 was \$47,412,910. In 2015, the Community Preservation Fund generated revenues of \$30,491,103 based on audited results. The Community Preservation Fund spent \$30,757,264 on debt service and new land acquisition. The fund balance in the Community Preservation Fund as of December 31, 2015 was \$47,146,749. In 2016, the Community Preservation Fund generated revenues of \$27,760,053 based on audited results. The Community Preservation Fund spent \$33,261,837 on debt service and new land acquisition. The fund balance in the Community Preservation Fund as of December 31, 2016 was \$41,644,665.

The legislation authorizing the 2% real estate tax was set to expire on March 31, 2030. The Town approved a proposal to amend its potential use through a referendum in November 2016 that allows the Town to use up to 20% of the Community Preservation Fund monies to improve water quality and extends the 2% real estate tax to 2050.

On June 2, 2000, the Town adopted a resolution authorizing an appropriation of \$20,000,000 for the acquisition of land or rights in land for preservation purposes. Following the adoption of the first resolution the Town adopted additional resolutions pursuant to this program authorizing the appropriation of an additional \$37,600,000 for the acquisition of open space pursuant to this program.

In 2008, the Town responded to a subpoena from the Suffolk County District Attorney's Office seeking submission of certain Community Preservation Fund ("CPF") documents. The District Attorney filed criminal complaints and informations against the Town's former Budget Officer alleging two misdemeanor and seven felony charges arising out of activities allegedly undertaken during his employment with the Town. Some of these charges related to the management of funds in the Community Preservation Fund. On June 21, 2010, the Town's former Budget Officer pleaded guilty to securities fraud and official misconduct and was given a conditional discharge.

Town Deposits and Investments

New York State law strictly limits the disposition of Town funds and requires Towns to designate one or more banks or trust companies for the deposit of public funds. All deposits must be made to the credit of the Town and all such deposits in excess of the amount insured under the provisions of the Federal Deposit Insurance Act must be fully collateralized by statutorily defined "eligible securities" pursuant to an agreement between the Town and such depository bank. Eligible securities that may be utilized by the Town pursuant to its adopted investment policy, include the following:

- 1) Obligations issued by the United States of America, an agency thereof or a United States Government sponsored corporation or obligations fully insured or guaranteed as to the payment of principal and interest by the United States of America, an agency thereof or a United States government sponsored corporation.
- 2) Obligations partially insured or guaranteed by any agency of the United States of America, at a proportion of the market value of the obligation that represents the amount of the insurance or guaranty.
- 3) Obligations issued or fully insured or guaranteed by this State, obligations issued by a municipal corporation, school district or district corporation of this State or obligations of any public benefit corporation which, under a specific state statute, may be accepted as security for deposit or public monies.
- 4) Obligations issued by states (other than New York State) of the United States rated in one of the three highest rating categories by at least one nationally recognized credit rating organization.
- 5) Obligations of Puerto Rico rated in one of the three highest rating categories by at least one nationally recognized credit rating organization.
- 6) Obligations of counties, cities and other governmental entities of another state other than New York having the power to levy taxes that are backed by the full faith and credit of such governmental entity and rated in one of the three highest rating categories by at least one nationally recognized credit rating organization.
- 7) Obligations of domestic corporations rated in one of the three highest rating categories by at least one nationally recognized credit rating organization.
- 8) Zero-Coupon obligations of the United States Government marketed as "Treasury STRIPS" (sometimes utilized to match-fund specific obligations).

Collateral agreements entered into by the Town must provide that the eligible securities are being pledged by the bank as security for Town deposits and must provide the conditions under which the securities held may be valued, sold, presented for payment, substituted or released and the events of default which will enable the Town to exercise its rights against the pledged securities. Such collateral agreements must also provide that the pledged securities will be held by the bank as agent and custodian for the Town will be kept separate and apart from the general assets of the bank and will not, in any circumstances, be commingled with or become part of the backing for any other deposit or other liabilities of the bank.

The Town also has the power to invest funds of the Town not required for immediate expenditure in the special time deposit accounts in or certificates of deposits issued by a bank or trust company located and authorized to do business in the State of New York. Any such investments must be payable within such times as the proceeds shall be needed to meet expenditures for which such monies were obtained and must provide that such time deposit account or certificate of deposit be collateralized in the same manner as provided for Town deposits above. This prevents the Town from having to sell such investments prior to maturity or redemption and thereby avoids market risk for such investments. The Town may also make temporary investments of public funds in obligations of the United States of America where the payment of principal and interest are guaranteed by the United States of America or in obligations of the State of New York or with the approval of the New York State Comptroller in obligations of New York State municipal corporations.

All temporary investments must be payable or redeemable at the option of the Town within such times, as the proceeds will be needed by the Town. The Town has no power to accumulate and apply Town funds solely for investment purposes.

TAX INFORMATION

Tax Collection Procedures

The Town receives tax revenues under the two-payment tax system. The first half is due December 1st of the preceding fiscal year and payable until January 10th without penalty, or full tax payment can be made during this period of time. Second half taxes are due May 10th each year and are payable until May 31st without penalty. After January 10th, one percent per month is added to first half tax payment. After May 31st, when the tax rolls are turned over to the County, all taxes are payable to the County Treasurer with an additional penalty to date of payment.

There are no uncollected Town items at the close of the fiscal year. The Town Receiver of Taxes collects the County tax as well as the General Town, Town Highway, School and Special District levies. Before the tax rolls are returned to the County at the end of the tax period (May 31st), the Town Receiver of Taxes pays in full to the Supervisor, the General Town, Town Highway, School and Special District levies. Any uncollected items are deducted from the amount returned to the County and the County assumes the responsibility for the enforcement of all unpaid taxes. The County conducts tax sales each year in accordance with the provisions of the Suffolk County Tax Act.

Real Property Taxes and Assessments

The following table shows the trend during the last five completed fiscal years for taxable assessed valuations, state equalization rates, full valuations, real property taxes and real property tax rates.

Real Property Tax Assessment and Rates **(For the Fiscal Year Ended December 31:)**

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Assessed Value	\$ 197,800,000	\$ 197,545,920	\$ 198,154,219	\$ 198,620,361	\$ 199,658,928
Equalization Rate	.0073	.0073	.0073	.0064	.0059
Full Value	27,098,890,410	27,061,084,932	27,144,413,561	31,034,431,406	33,840,496,271
Tax Levy for Town Purposes ⁽¹⁾	\$ 43,112,163	\$ 44,021,825	\$ 45,204,666	\$ 45,873,436	\$ 46,809,854
Tax Rate for Town Purposes ⁽²⁾	\$ 259.34	\$ 264.37	\$ 269.83	\$ 273.88	\$ 279.11

(1) Levy amount reflects General Fund and Highway Fund levies. Does not reflect the levies for special districts.

(2) Tax Rate Per \$1,000 Assessed Value. Inclusive of General Fund and Highway Fund levies.

Source: Town Officials and the New York State Office of Real Property Services.

Tax Levy Limit Law

Prior to the enactment of Chapter 97 of the Laws of 2011, as amended, (the "Tax Levy Limit Law"), all the taxable real property within the Town has been subject to the levy of ad valorem taxes to pay the bonds and notes of the Town and interest thereon without limitation as to rate or amount. However, the Tax Levy Limit Law imposes a tax levy limitation upon the Town for any fiscal year commencing after January 1, 2012 continuing through June 15, 2020 or later as provided in the Tax Levy Limit Law, without providing an exclusion for debt service on obligations issued by the Town. As a result, the power of the Town to levy real estate taxes on all the taxable real property within the Town is subject to statutory limitations set forth in Tax Levy Limit Law.

The following is a brief summary of certain relevant provisions of Tax Levy Limit Law. The summary is not complete and the full text of the Tax Levy Limit Law should be read in order to understand the details and implications thereof.

The Tax Levy Limit Law imposes a limitation on increases in the real property tax levy of the Town, subject to certain exceptions. The Tax Levy Limit Law permits the Town to increase its overall real property tax levy over the tax levy of the prior year by no more than the "Allowable Levy Growth Factor", which is the lesser of one and two-hundredths or the sum of one plus the Inflation Factor; provided, however that in no case shall the levy growth factor be less than one. The "Inflation Factor" is the quotient of: (i) the average of the 20 National Consumer Price Indexes determined by the United States Department of Labor for the twelve-month period ending six months prior to the start of the coming fiscal year minus the average of the National Consumer Price Indexes determined by the United States Department of Labor for the twelve-month period ending six months prior to the start of the prior fiscal year, divided by: (ii) the average of the National Consumer Price Indexes determined by the United States Department of Labor for the twelve-month period ending six months prior to the start of the prior fiscal year, with the result expressed as a decimal to four places. The Town is required to calculate its tax levy limit for the upcoming year in accordance with the provision above and provide all relevant information to the New York State

Comptroller prior to adopting its budget. The Tax Levy Limit Law sets forth certain exclusions to the real property tax levy limitation of the Town, including exclusions for certain portions of the expenditures for retirement system contributions and tort judgments payable by the Town. The Town Board may adopt a budget that exceeds the tax levy limit for the coming fiscal year, only if the Town Board first enacts, by a vote of at least sixty percent of the total voting power of the governing board of the Town, a local law to override such limit for such coming fiscal year.

The Tax Levy Limit Law does not contain an exception from the levy limitation for the payment of debt service on either outstanding general obligation bonds or notes of the Town or such indebtedness incurred after the effective date of the Tax Levy Limit Law. As such, there can be no assurances that the Tax Levy Limit Law will not come under legal challenge for violating (i) Article VIII, Section 12 of the State Constitution for not providing an exception for debt service on obligations issued prior to the enactment of the Tax Levy Limit Law, (ii) Article VIII, Section 10 of the State Constitution by effectively eliminating the exception for debt service to general real estate tax limitations, and (iii) Article VIII, Section 2 of the State Constitution by limiting the pledge of its faith and credit by a municipality or school district for the payment of debt service on obligations issued by such municipality or school district.

Ten of the Largest Taxpayers

The following table presents the taxable assessments of ten of the Town's largest taxpayers for the tax period ending December 31, 2017.

<u>Taxable Assessments</u>			
<u>Taxpayer</u>	<u>Nature of Business</u>	<u>Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation⁽¹⁾</u>
Keyspan Energy Development Corp.	Utility	\$ 500,791	0.25%
Bruce Wasserstein	Private	326,375	0.16
LIPA ⁽²⁾	Utility	322,598	0.16
Gurney's Inn Resort & Spa LTD	Hotel & Restaurant	303,650	0.15
Lewis Sanders	Private	301,300	0.15
Stewart Rahr	Private	275,000	0.14
Trust U/A/D 11/17/86	Private	264,000	0.13
252 Further Lane, LLC	Real Estate	262,750	0.13
Calvin Klein	Private	262,480	0.13
Hamptons Residence, LLC	Private	<u>227,500</u>	<u>0.12</u>
Totals		<u>\$3,046,444</u>	<u>1.52%</u>

(1) The Town's total assessed valuation for the 2017 fiscal year is \$199,658,928.

(2) Paid through PILOT payments.

Source: Town Tax Assessor's Office

TOWN INDEBTEDNESS

Constitutional Requirements

The New York State Constitution limits the power of the Town (and other municipalities and school districts of the State) to issue obligations and to otherwise contract indebtedness. Such constitutional limitations include the following, in summary form.

Purpose and Pledge. The Town shall not give or loan any money or property to or in aid of any individual or private corporation or private undertaking or give or loan its credit to or in aid of any of the foregoing or any public corporation.

The Town may contract indebtedness only for a Town purpose and shall pledge its faith and credit for the payment of principal of and interest thereon.

Payment and Maturity. Except for certain short-term indebtedness contracted in anticipation of taxes, or to be paid within three fiscal years, indebtedness shall be paid in annual installments commencing no later than two years after the date such indebtedness shall have been contracted and ending no later than the expiration of the period of probable usefulness of the object or purpose (as determined by statute) or, in the alternative, the weighted average period of probable usefulness of the several purposes for which it is contracted with no installment more than fifty per centum in excess of the smallest prior installment, unless the Town determines to issue debt amortized on the basis of substantially level or declining annual debt service. The Town is required to provide an annual appropriation for the payment of interest due during the year on its indebtedness and for the amounts required in such year for amortization and redemption of its serial bonds and bond anticipation notes.

General. The Town is further subject to constitutional limitation by the general constitutionally imposed duty of the State Legislature to restrict the power of taxation and contracting indebtedness to prevent abuses in the exercise of such powers. The State Legislature is prohibited by a specific constitutional provision from restricting the power of the Town to levy taxes on real estate for the payment of interest on or principal of indebtedness theretofore contracted. However, the Tax Levy Limit Law imposes a statutory limitation on the Town's power to increase its annual tax levy. As a result, the power of the Town to levy real estate taxes on all the taxable real property within the Town is subject to statutory limitations set forth in Tax Levy Limit Law, unless the Town complies with certain procedural requirements to permit the Town to levy certain year-to-year increases in real property taxes. (See "*Tax Levy Limit Law*" herein.)

Debt Limit. The Town has the power to contract indebtedness for any Town purpose so long as the principal amount thereof shall not exceed seven per centum of the most recent five-year average full valuation of taxable real estate of the Town and subject to certain enumerated exclusions and deductions such as water and certain sewer facilities and cash appropriations for current debt service. The constitutional method for determining full valuation is by taking the assessed valuation of taxable real estate for the last completed assessment roll and applying thereto the final equalization rate as determined by the State Board of Real Property Services. The State Legislature is required to prescribe the manner by which such rate shall be determined. The average full valuation is determined by taking the sum of full valuations of such last completed assessment roll and the four preceding assessment rolls, and dividing such sum by five.

There is no constitutional limitation on the amount that may be raised by the Town by tax on real estate in any fiscal year to pay principal of and interest on all indebtedness. However, the Tax Levy Limit Law, imposes a statutory limitation on the power of the Town to increase its annual tax levy. (See "*Tax Levy Limit Law*" herein.)

Statutory Procedure

In general, the State Legislature has authorized the power and procedure for the Town to borrow and incur indebtedness subject, of course, to the constitutional provisions set forth above. The power to spend money, however, generally derives from other law, including the Town Law and the General Municipal Law.

Pursuant to the Local Finance Law, the Town authorizes the incurrence of indebtedness, including bonds and bond anticipation notes issued in anticipation of such bonds, by the adoption of a resolution, approved by at least two-thirds of the members of the Town Board, the finance board of the Town. Certain such resolutions may be subject to permissive referendum, or may be submitted to the Town voters at the discretion of the Town Board.

The Local Finance Law also provides for a twenty-day statute of limitations after publication of a bond resolution (in summary or in full), together with a statutory notice which, in effect, estops thereafter legal challenges to the validity of obligations authorized by such bond resolution except for alleged constitutional violations.

Each bond resolution usually authorizes the construction, acquisition or installation of the object or purpose to be financed, sets forth the plan of financing and specifies the maximum maturity of the bonds subject to the legal (Constitution, Local Finance Law and case law) restrictions relating to the period of probable usefulness with respect thereto.

Each bond resolution also authorizes the issuance of bond anticipation notes prior to the issuance of serial bonds. Statutory law in New York permits notes to be renewed each year provided that principal is amortized and provided that such renewals do not (with certain exceptions) extend more than five years beyond the original date of borrowing. However, notes issued in anticipation of the sale of serial bonds for assessable improvements are not subject to such five year limit and may be renewed subject to annual reductions of principal for the entire period of probable usefulness of the purpose for which such notes were originally issued. (See “*Payment and Maturity*” under “*Constitutional Requirements*” herein.)

In addition, under each bond resolution, the Town Board may delegate the power to issue and sell bonds and notes to the Supervisor, the chief fiscal officer of the Town.

In general, the Local Finance Law contains similar provisions providing the Town with power to issue general obligation revenue anticipation notes, tax anticipation notes, capital notes, deficiency notes and budget notes.

Constitutional Debt Contracting Limit

The following table sets forth the computation of the current debt-contracting limitation of the Town.

<u>Constitutional Debt Contracting Limit</u>				
Assessment Roll Completed <u>December 31:</u>	For Fiscal Year Ending <u>December 31:</u>	Assessed <u>Valuation</u>	State Equalization <u>Rate</u>	<u>Full Valuation</u>
2012	2013	\$197,800,000	0.0073	\$ 27,095,890,410
2013	2014	197,545,920	0.0073	27,061,084,932
2014	2015	198,154,219	0.0073	27,144,413,561
2015	2016	198,620,361	0.0064	31,034,431,406
2016	2017	199,658,928	0.0059	<u>33,840,496,271</u>
Total Five-Year Full Valuation				\$146,176,316,580
Five-Year Average Full Valuation				<u>29,235,263,316</u>
Debt Contracting Limitation: 7% of Average Full Valuation				<u>\$ 2,046,468,432</u>

Source: New York State Office of Real Property Services.

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Debt Contracting Limitation
(As of August 7, 2017)

Debt-Contracting Limitation:	\$2,046,468,432
Gross Direct Indebtedness:	
Bonds:	
General Purpose	\$66,680,941
NYS EFC Bonds ⁽¹⁾	<u>10,145,000</u>
Total Bonds	76,825,941
Bond Anticipation Notes (“BANs”):	11,056,899
Housing Guarantees ⁽²⁾	<u>9,152,422</u>
Total Gross Direct Indebtedness	<u>\$ 97,035,262</u>
Less Exclusions and Deductions:	
Appropriations for Non-Exempt Indebtedness During 2017 Fiscal Year	<u>2,620,941</u>
Total Net Direct Indebtedness	<u>\$ 94,414,321</u>
Debt-Contracting Margin	<u>\$1,949,433,170</u>
Percentage of Debt-Contracting Power Exhausted	<u>4.61%</u>

- (1) New York State Environmental Facilities Corporation.
(2) See “*Additional Borrowings – East Hampton Housing Authority*” herein.

Source: Town Budget Office

Bond Anticipation Notes

The Town currently has the following outstanding bond anticipation notes:

<u>Bond Anticipation Notes</u>			
<u>Dated</u>	<u>Due</u>	<u>Issue</u>	<u>Amount</u>
08/25/16	08/25/17	Bond Anticipation Notes – 2016	\$11,056,899 ⁽¹⁾

- (1) To be redeemed with a portion of the proceeds from the sale of the Bonds and the Notes, together with available funds of the Town.

Tax and Revenue Anticipation Notes

The Town has not issued any tax or revenue anticipation notes in recent years.

Trend of Capital Indebtedness

The following table sets forth the amount of direct capital indebtedness outstanding at year end for the last five fiscal years. (See also “*East Hampton Housing Authority*” herein).

	<u>Capital Indebtedness Outstanding⁽¹⁾</u>				
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Bonds ⁽¹⁾	\$118,735,000	\$109,231,705	\$ 98,408,736	\$ 94,152,348	\$ 89,815,941
Bond Anticipation Notes	<u>5,185,000</u>	<u>10,547,865</u>	<u>12,034,858</u>	<u>9,895,623</u>	<u>11,056,899</u>
Total	<u>\$123,920,000</u>	<u>\$119,779,570</u>	<u>\$110,443,594</u>	<u>\$104,047,971</u>	<u>\$100,872,840</u>

(1) Exclusive of bonds issued by the East Hampton Housing Authority which are subject to a guarantee of the Town. See “*East Hampton Housing Authority*” herein.

Source: Audited Financial Statements and information provided by the Town Budget office.

Overlapping and Underlying Debt

In addition to the Town, other political units have the power to incur indebtedness payable from property taxes levied on property in the Town. The table below sets forth both the total outstanding principal amount of debt issued by the Town and the approximate burden on taxable property in the Town of the debt instruments issued and outstanding by such other political units.

Statement of Direct and Overlapping Indebtedness

<u>Issuing Entity</u>	<u>Net Indebtedness</u>	<u>Town Share</u>	<u>Net Indebtedness as of:</u>	<u>Net Overlapping Indebtedness</u>
Suffolk County	\$1,311,100,875	6.30%	06/08/17	\$ 82,599,355
East Hampton Village	6,635,000	100.00	05/31/16	6,635,000
Sag Harbor Village	2,615,537	33.00	05/31/16	863,127
School Districts				
Amagansett	0	100.00	06/30/16	0
East Hampton	55,120,000	100.00	06/30/16	55,120,000
Montauk	0	100.00	06/30/16	0
Sag Harbor	16,410,000	11.80	07/18/17	1,936,380
Springs	613,793	100.00	06/30/16	613,793
Wainscott	655,000	90.00	06/30/16	655,000
Fire Districts				
Amagansett	2,175,000	100.00	12/31/15	2,175,000
Bridgehampton	3,876,972	75.00	12/31/15	2,907,729
Montauk	0	100.00	12/31/15	0
Springs	0	100.00	12/31/15	<u>0</u>
Total Overlapping Debt				153,505,384
Total Net Direct Debt				<u>94,414,321</u>
Total Net Direct and Overlapping Debt				<u>\$247,919,705</u>

Source: County, Village and District Officials, and the Special Report on Municipal Affairs, released by the New York State Office of the Comptroller.

Debt Ratios

The following table presents certain debt ratios relating to the Town's Statement of Direct and Overlapping Indebtedness.

Debt Ratios

	<u>Amount</u>	<u>Debt Per Capita ⁽¹⁾</u>	<u>Debt to Full Value ⁽²⁾</u>
Net Direct Debt	\$ 94,414,321	\$ 4,400	0.28%
Net Direct and Overlapping Debt	247,919,705	11,554	0.73

(1) The Town has a population of 21,457 according to the 2010 census of the U.S. Census Bureau.

(2) The full valuation of real property in the Town for the 2016 fiscal year is \$33,840,496,271.

Debt Service Schedule

The following table shows the debt service requirements to maturity, on the Town's outstanding general obligation bonded indebtedness for future fiscal years, exclusive of the Bonds, refunded bonds of the Town and debt issued by the East Hampton Housing Authority.

Bond Principal and Interest Maturity Table

<u>Fiscal Year Ending December 31:</u>	<u>Principal</u>	<u>Interest ⁽¹⁾⁽²⁾</u>	<u>Total Debt Service ⁽¹⁾</u>
2017 ⁽³⁾	\$ 12,460,941	\$ 2,931,449	\$ 15,392,390
2018	12,820,000	2,505,134	15,325,134
2019	11,625,000	2,068,473	13,693,473
2020	11,400,000	1,655,483	13,055,483
2021	9,215,000	1,271,383	10,486,383
2022	9,265,000	914,788	10,179,788
2023	7,160,000	568,699	7,728,699
2024	5,520,000	361,995	5,881,995
2025	4,315,000	248,829	4,563,829
2026	3,435,000	151,743	3,586,743
2027	1,300,000	95,613	1,395,613
2028	200,000	61,730	261,730
2029	205,000	51,371	256,371
2030	215,000	40,556	255,556
2031	220,000	29,355	249,355
2032	225,000	17,896	242,896
2033	<u>235,000</u>	<u>6,051</u>	<u>241,051</u>
Totals	<u>\$ 89,815,941</u>	<u>\$ 12,980,548</u>	<u>\$102,796,489</u>

(1) Exclusive of 50% interest subsidy on bonds financed through the New York State Environmental Facilities Corporation and bonds issued by the East Hampton Housing Authority, which are subject to a guarantee by the Town. (See "Additional Borrowings – East Hampton Housing Authority" herein.)

(2) Off slightly due to rounding.

(3) For the entire fiscal year.

Source: Audited Financial Statements of the Town.

Additional Borrowings and Certain Recurring Obligations

Landfill Capping

The Town currently performs monitoring activities at the Montauk Landfill and the Springs-Fireplace Landfill at a total cost of approximately \$150,000 per year. The Town will be required to perform certain maintenance and monitoring at the Montauk Landfill and Springs-Fireplace Landfill for the next thirty years. Such post closure maintenance and monitoring activities for both landfill sites will be paid for from annual budgetary appropriations of the Town.

Open Space Preservation

Pursuant to its Community Preservation Fund law, the Town has funded the purchase of land or development rights for preservation purposes through the Environmental Facilities Corporation (“EFC”), as well as, through a bond issue of \$25,000,000 in 2006. Under this plan, the Town borrowed \$13,167,466 in 2002 through EFC for 10 years. In 2003, the Town borrowed an additional \$4,886,413 over 18 years. In January 2004 and June 2004, the Town borrowed \$4,590,980 and \$4,703,347, respectively. The January 2004 loan matures in November 2020. The June 2004 loan matures in August 2033. The Town receives a 50% interest rate subsidy over the life of EFC issues. The Town uses the revenues generated by the 2% real estate transfer tax to pay the debt service on the bonds issued under its Community Preservation Fund, however, such indebtedness remains a general obligation of the Town containing the Town’s faith and credit pledge. (See “*Real Estate Transfer Tax*, herein.)

East Hampton Housing Authority

On December 4, 2008, the Town sold a 26-unit housing project located on Springs Fireplace Road (the “Springs Fireplace Project”), which the Town constructed, to the East Hampton Housing Authority. The Authority funded the purchase of the Springs Fireplace Project through the issuance of bonds of the Authority, guaranteed by the Town (the “Springs Fireplace 2008 Bonds”). The Springs Fireplace 2008 Bonds were refunded with the proceeds of the refunding bonds of the Authority issued in 2015 (the “Springs Fireplace 2015 Bonds”). The \$4,250,000 proceeds from the sale of the Springs Fireplace 2008 Bonds were deposited in the Town’s Capital Fund to replenish approximately \$3.8 million of monies which had been borrowed by the Town to finance the reconstruction of Town Hall facilities but were instead diverted to pay for the construction of the Housing Project at a time when the reconstruction of the Town Hall facilities was delayed. The Town recognized that these transactions were not properly accounted for and has worked with the Town’s auditors to ensure the funds have been properly accounted for in the 2008 financial records and that policies and procedures have been implemented to ensure that such a situation is never repeated. This issue was addressed during the capital project review by the independent auditors.

The Authority’s Springs Fireplace 2015 Bonds are payable from the revenues received by the Authority from the operation of the Springs Fireplace Project. The Authority’s bonds do not constitute a debt or liability of the State of New York or of any political subdivision thereof, except the Town with respect to a guarantee by the Town of timely payment of principal and interest on such bonds.

On February 25, 2016, the Authority issued \$4,000,000 Housing Revenue Notes – 2016 to finance the acquisition of certain real property located at Montauk Highway, Amagansett for use as a site for a rental housing project and costs related thereto pursuant to a bond resolution authorizing a like amount of bonds or notes adopted by the Authority on January 28, 2016. The Authority’s notes do not constitute a debt or liability of the State of New York or of any political subdivision thereof, except the Town with respect to a guarantee by the Town of timely payment of principal and interest on such bonds. On February 23, 2017, the Authority issued \$4,000,000 Housing Revenue Notes – 2017 which renewed such note issued in 2016 for one year.

The following table shows the debt service requirements to maturity, on the Housing Authority's outstanding bonded indebtedness for future fiscal years.

Housing Authority Bond Principal and Interest Maturity Table

Fiscal Year <u>Ending December 31:</u>	<u>Principal</u>	<u>Interest</u>	Total <u>Debt Service ⁽¹⁾</u>
2017 ^{(2) (3)}	\$ 2,445,000	252,919	2,697,919
2018	130,000	170,013	300,013
2019	135,000	162,825	297,825
2020	145,000	155,825	300,825
2021	150,000	149,200	299,200
2022	155,000	143,100	298,100
2023	160,000	136,800	296,800
2024	170,000	130,200	300,200
2025	175,000	123,300	298,300
2026	185,000	116,563	301,563
2027	185,000	109,972	294,972
2028	200,000	102,869	302,869
2029	205,000	95,275	300,275
2030	210,000	87,363	297,363
2031	220,000	78,894	298,894
2032	225,000	69,994	294,994
2033	240,000	60,694	300,694
2034	245,000	50,994	295,994
2035	255,000	40,834	295,834
2036	270,000	30,006	300,006
2037	280,000	18,488	298,488
2038	<u>295,000</u>	<u>6,269</u>	<u>301,269</u>
Totals	<u>\$ 6,680,000</u>	<u>\$ 2,292,397</u>	<u>\$ 8,972,397</u>

(1) Off slightly due to rounding.

(2) For the entire fiscal year.

(3) In Spring 2017, the Authority closed on a fixed rate, five-year commercial loan with Suffolk County National Bank to refinance and extend the term of a \$2,325,000 principal maturity from the Authority's 1999 bond issue which was due on May 1, 2017. At maturity, this loan adjusts and is tied to the 10-year Treasury bond plus a spread. Unlike the 1999 bond issue, the Town does not guarantee the payment of principal or interest on this commercial loan.

Source: East Hampton Housing Authority.

The Authority also has an outstanding non-interest bearing promissory note, supported by a mortgage with the State of New York Housing Trust Fund Corporation, in the amount of \$917,422 in connection with the Avallone Apartments, a low income housing facility in the Town. Payments pursuant to this promissory note are also guaranteed by the Town.

ECONOMIC AND DEMOGRAPHIC DATA

Population

The following table presents population trends for the Town, County and State.

	<u>Population Trends</u>		
	<u>2000</u>	<u>2010</u>	Percentage Change <u>2000-2010</u>
Town	19,719	21,457	8.8%
County	1,419,369	1,492,364	5.1
State	18,976,457	19,378,102	2.1

Source: U.S. Census Bureau.

Income

The following table presents median household income for the Town, County and State.

	<u>Median Household Income</u>		
	<u>2000</u>	<u>2010</u>	Percentage Change <u>2000-2010</u>
Town	\$52,201	\$72,803	39.5%
County	65,288	84,235	29.0
State	43,393	55,217	27.2

Source: U.S. Census Bureau.

Employment and Unemployment

The following tables provide information concerning employment and unemployment in the Town, County and State.

Major Employers in the Town

<u>Name of Employer</u>	<u>Number of Employees⁽¹⁾</u>	<u>Nature of Business</u>
Town of East Hampton	665	Municipality
Public Schools (4 Districts)	533	Education
Gurney's Inn	250	Restaurant & Hotel
Dune Management	230	Hotel
Village of East Hampton	165	Municipality
Riverhead Building Supply	59	Construction Supplies
United States Post Office	38	Post Office
East Hampton STAR Newspaper	35	Media

(1) Includes seasonal or part-time employees.

Source: Local Official Estimates and Telephone Survey.

Yearly Average Unemployment Rates

<u>Year</u>	<u>County</u>	<u>State</u>
2012	7.8%	8.5%
2013	6.6	7.7
2014	5.4	6.3
2015	4.7	5.3
2016	4.3	4.8

Source: New York State Department of Labor, Bureau of Labor Statistics; Suffolk County Department of Labor. Information not seasonally adjusted.

Data provided in the following tables is not necessarily representative of the Town.

Civilian Labor Force

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
County	779,400	779,300	770,100	778,400	777,600
State	9,612,200	9,623,100	9,570,700	9,591,200	9,584,500

Source: New York State Department of Labor, Bureau of Labor Statistics. Information not seasonally adjusted.

Monthly Unemployment Rates

<u>Month</u>	<u>County</u>	<u>State</u>
June 2016	4.1%	4.7%
July	4.5	5.0
August	4.4	4.9
September	4.4	4.9
October	4.2	4.8
November	4.1	4.5
December	4.1	4.5
January 2017	4.7	4.9
February	4.9	5.0
March	4.3	4.4
April	4.1	4.2
May	4.0	4.3

Source: New York State Department of Labor, Bureau of Labor Statistics; Suffolk County Department of Labor. Information not seasonally adjusted.

Culture and Recreation

With its numerous ocean and bay beaches, the Town is a major recreational area for residents of New York, New Jersey and Connecticut. State parks are located at Montauk and Hither Hills, the latter offering oceanfront camping facilities. Chartered and party fishing fleets sail daily from Montauk, affording both in-shore and deep-sea fishing for both food and sport. Sightseers may visit the Deep Hollow Ranch, the Second House Museum, the Old Customs House and Montauk Lighthouse. There is also a wide variety of inns, motels, and housekeeping apartments and wide selection of restaurants located within the Town.

Educational, Cultural and Medical Institutions

The Town is the location of artistic, cultural and historical points of interest including, but not limited to, the John Drew Theater, Guild Hall, the Pollock-Krasner House and Study Center, the Home Sweet Home Museum, the Longhouse Reserve and several art galleries. The East Hampton Historical Society serves the residents and visitors

of the Town by collecting, preserving, presenting and interpreting the material, cultural and economic heritage of the Town and its surroundings.

Colleges and universities in the area include State University of New York at Stony Brook, St. Joseph's College and Suffolk Community College.

There are numerous public libraries located throughout the Town which sponsor various programs of general interest to adults and children throughout the year. The Fieldhouse at Southampton offers programs featuring well-known musical groups, off-Broadway revivals and programs of classical and popular music.

Hospital services are provided by numerous area hospitals including Southampton Hospital and Stony Brook University Hospital.

Transportation

Montauk Highway (Route 27) is the main east-west highway that extends the length of the Town. State Route 114 runs north-south from the Village of East Hampton through Sag Harbor and North Haven and then continues by ferry to Shelter Island and, again by ferry to the north fork of Long Island at Greenport. An interior network of Town and County roads serves the Town, as does the Long Island Railroad's Montauk Division with stations at East Hampton, Amagansett and Montauk.

East Hampton Airport comprises approximately 600 acres and has been operated, since its origin in 1938, solely by the Town. A wide range of aircraft types, ranging from small single engine trainers to corporate jets, use the airport. Out of town corporate aircraft frequent the airport with passengers for the convention and seminar facilities in the area as well as business and recreational uses. No major commercial service is available at the East Hampton facility; however, such service is available at MacArthur Airport approximately 55 miles west in the Town of Islip.

Financial Institutions

Financial institutions located in the Town include JPMorgan Chase Bank, Suffolk County National Bank, Bridgehampton National Bank, Capital One, Apple Bank and M&T Bancorp .

Utilities

Water service is supplied by the Suffolk County Water Authority. Gas and electric service is provided by the PSEG Long Island and National Grid.

END OF APPENDIX A

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APPENDIX B
SUMMARY OF FINANCIAL STATEMENTS

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TOWN OF EAST HAMPTON
Statement of Budgeted Revenues & Expenditures
General Fund - Townwide
Fiscal Year Ended December 31:

	Adopted <u>2016</u>	Adopted <u>2017</u>
Revenues		
Real Property Taxes	\$19,251,964	\$18,888,948
Other tax items	225,000	200,000
Departmental Income	1,298,250	1,434,750
Use of Money and Property	818,200	608,113
Licenses and Permits	850,000	834,500
Fines and Forfeitures	1,006,500	1,331,500
Miscellaneous Local Sources	342,700	315,000
State aid	4,400,500	4,480,000
Federal aid	114,000	115,000
Interfund Transfers	871,175	960,549
Appropriated Fund Balance	<u>598,330</u>	<u>1,369,777</u>
 Total Revenues	 <u><u>\$29,776,619</u></u>	 <u><u>\$30,538,137</u></u>
Expenditures		
General Government Support	\$10,832,301	\$11,304,280
Public Safety	515,651	539,968
Transportation	742,255	820,765
Economic Assistance & Opportunity	1,576,573	1,668,690
Culture and Recreation	3,588,914	3,701,954
Home and Community Services	2,432,649	2,507,252
Employee Benefits	1,505,512	1,562,299
Debt Service	8,261,876	8,090,038
Internal Transfers	<u>320,888</u>	<u>342,891</u>
 Total Expenditures	 <u><u>\$29,776,619</u></u>	 <u><u>\$30,538,137</u></u>

Source: Adopted Budgets of the Town.

TOWN OF EAST HAMPTON
Statement of Budgeted Revenues & Expenditures
General Fund - Part Town
Fiscal Year Ended December 31:

	Adopted <u>2016</u>	Adopted <u>2017</u>
Revenues		
Real Property Taxes	\$21,133,417	\$22,019,448
Other Tax Items	1,052,000	1,066,043
Departmental Income	1,903,000	2,197,061
Use of Money and Property	240,500	236,000
Fines and Forfeitures	0	1,000
Miscellaneous Local Sources	303,000	219,100
State & Federal Aid	19,300	20,000
Interfund Transfers	60,000	60,000
Appropriated Fund Balance	<u>214,500</u>	<u>9,903</u>
Total Revenues	<u><u>\$24,925,717</u></u>	<u><u>\$25,828,555</u></u>
 Expenditures		
General Government Support	\$1,585,883	\$1,506,888
Public Safety	18,771,562	19,432,372
Home and Community Services	1,527,235	1,607,007
Employee Benefits	1,565,980	1,750,641
Debt Service	1,475,057	1,531,647
Internal Transfer	<u>0</u>	<u>0</u>
Total Expenditures	<u><u>\$24,925,717</u></u>	<u><u>\$25,828,555</u></u>

Source: Adopted Budgets of the Town.

TOWN OF EAST HAMPTON
 Combined Balance Sheet
 General Fund - Townwide
 Fiscal Years Ended December 31:

	<u>2015</u>	<u>2016</u>
<u>Assets</u>		
Cash and Investments	\$7,178,543	\$6,394,113
Restricted Cash	2,597,767	2,659,510
Accounts Receivable, net	329,985	355,793
Prepaid expenses	526,226	507,969
Due From Other Funds	1,752,419	1,745,280
State and Federal Aid Receivable	1,244,737	1,723,469
Due from Fiduciary Funds	121,895	33,403
Due from Other Governments	197,071	434,173
	<u>\$13,948,643</u>	<u>\$13,853,710</u>
<u>Liabilities</u>		
Accounts Payable	\$1,260,790	\$846,253
Accrued Liabilities	93,639	106,998
Due to Other Funds	6,679	8,231
Due to Fiduciary Funds	0	2,940
Due to Other Governments	36,482	38,468
Deferred Revenue	0	0
	<u>\$1,397,590</u>	<u>\$1,002,890</u>
<u>Deferred Inflows</u>		
Deferred Property Taxes	\$2,738,437	\$536,149
<u>Fund Balance:</u>		
Nonspendable	\$526,226	\$507,969
Restricted	2,745,927	2,659,510
Assigned	48,000	52,559
Unassigned	6,492,463	9,094,633
	<u>\$9,812,616</u>	<u>\$12,314,671</u>
Total Liabilities and Fund Balance	<u>\$13,948,643</u>	<u>\$13,853,710</u>

Source: Audited financial statements
 Summary itself not audited.

TOWN OF EAST HAMPTON
 Combined Balance Sheet
 General Fund - Town Outside Village
 Fiscal Years Ended December 31:

	<u>2015</u>	<u>2016</u>
<u>Assets</u>		
Cash	\$7,411,146	\$8,874,143
Restricted Cash	82,868	128,373
Accounts Receivable, net	319,560	268,105
Prepaid Expenses	596,704	500,716
State and Federal Aid Receivable	39,849	5,507
Due From Other Funds	17,266	12,105
Due From Fiduciary Funds	47,717	18,677
Due From Other Governments	853,766	960,206
	\$9,368,876	\$10,767,832
Total Assets	\$9,368,876	\$10,767,832
 <u>Liabilities</u>		
Accounts Payable	\$521,197	\$532,341
Accrued Liabilities	272,155	330,825
Due to Other Funds	24,280	8,491
Due to Fiduciary Funds	0	0
Due to Employees' Retirement Systems	0	0
	\$817,632	\$871,657
Total Liabilities	\$817,632	\$871,657
 <u>Deferred Inflows</u>		
Deferred Property Taxes	\$1,124,108	\$516,571
 <u>Fund Balance:</u>		
Nonspendable	\$596,704	\$500,716
Restricted	82,868	128,373
Committed Fund Balance	0	0
Assigned	6,747,564	8,750,515
Unassigned	0	0
	\$7,427,136	\$9,379,604
Total Fund Balance	\$7,427,136	\$9,379,604
Total Liabilities and Fund Balance	\$9,368,876	\$10,767,832

Source: Audited financial statements
 Summary itself not audited.

TOWN OF EAST HAMPTON
 Combined Statement of Revenues, Expenditures and Changes in Fund Balance
 General Fund - Townwide
 Fiscal Years Ended December 31:

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Revenues					
Real Property Taxes	\$19,541,503	\$17,746,993	\$18,538,476	\$19,255,338	\$19,251,964
Other Real Property Tax Items	199,013	236,088	334,814	204,615	194,195
Non-Property Taxes	900,694	943,152	993,524	1,030,339	1,108,013
Departmental Income	1,125,112	1,113,794	1,152,292	1,257,227	1,451,078
Intergovernmental Charges	31,124	16,348	16,752	14,839	16,975
Use of Money and Property	427,675	497,159	482,367	433,383	465,646
Licenses and Permits	12,945	13,644	12,405	10,739	10,527
Fines and Forfeitures	1,052,048	1,326,829	969,186	1,278,947	1,398,756
Sales of Property and Compensation for Loss	141,054	2,364,242	310,941	586,533	107,778
Miscellaneous Local Sources	569,243	341,068	471,025	449,888	526,020
State Aid	3,990,596	4,900,796	5,133,780	5,110,949	5,367,693
Federal Aid	176,261	219,024	162,434	128,721	140,160
Total Revenues	<u>\$28,167,268</u>	<u>\$29,719,137</u>	<u>\$28,577,996</u>	<u>\$29,761,518</u>	<u>\$30,038,805</u>
Expenditures					
General Government Support	\$9,184,055	\$10,094,560	\$9,881,926	\$10,476,775	\$10,189,305
Public Safety	538,185	1,204,714	1,198,828	1,170,141	1,240,503
Health	50,000	50,000	50,000	50,000	50,000
Transportation	632,571	711,521	736,514	709,237	705,755
Economic Assistance & Opportunity	1,324,818	1,439,957	1,386,834	1,486,324	1,532,884
Culture and Recreation	3,097,456	2,468,758	2,460,486	2,578,809	2,690,967
Education	0	0	0	0	0
Home and Community Service	2,284,832	2,264,368	2,307,910	2,158,288	2,326,291
Employee Benefits	1,177,690	1,822,915	1,483,437	1,499,218	1,484,250
Debt Service - Principal & Interest	8,149,919	8,017,614	8,442,619	8,451,955	7,920,533
Total Expenditures	<u>\$26,439,526</u>	<u>\$28,074,407</u>	<u>\$27,948,554</u>	<u>\$28,580,747</u>	<u>\$28,140,488</u>
Excess (Def.) of Revenues Over (Under) Expenditures	<u>1,727,742</u>	<u>1,644,730</u>	<u>629,442</u>	<u>1,180,771</u>	<u>1,898,317</u>
Other Financing Sources (Uses):					
Debt Proceeds	3,565,000	29,720	14,455,307	20,658,491	5,059,067
Payment to Refunded Bond Escrow Account	(3,521,958)	0	(16,270,369)	(20,388,279)	(4,827,092)
Bond Issuance Costs	(43,042)	0	0	0	0
Operating Transfers In	722,909	774,186	824,436	1,558,229	855,571
Operating Transfers Out	(255,484)	(726,832)	(595,465)	(256,997)	(483,808)
Total Other Financing Sources (Uses)	467,425	77,074	(1,586,091)	1,571,444	603,738
Excess (Def.) of Revenues and Other Financing Sources Over Expenditures and Other Uses	<u>2,195,167</u>	<u>1,721,804</u>	<u>(956,649)</u>	<u>2,752,215</u>	<u>2,502,055</u>
Fund Balances - Beginning of Year, as restated (1)	(10,744,332)	6,062,402	\$8,017,050	7,060,401	9,812,616
Fund Balances - End of Year	<u>(\$8,549,165)</u>	<u>\$7,784,206</u>	<u>\$7,060,401</u>	<u>\$9,812,616</u>	<u>\$12,314,671</u>

(1) See Appendix C - Notes to the Financial Statements, herein.
 Source: Audited financial statements
 Summary itself not audited.

TOWN OF EAST HAMPTON
 Combined Statement of Revenues, Expenditures and Changes in Fund Balance
 General Fund - Town Outside Village
 Fiscal Years Ended December 31:

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Revenues					
Real Property Taxes	\$19,305,992	\$20,470,089	\$20,442,181	\$20,741,753	\$21,133,417
Other Real Property Tax Items	76,477	83,522	88,531	83,080	85,586
Non-Property Taxes	691,117	691,117	691,117	796,017	900,917
Departmental Income	1,496,945	1,704,842	2,037,091	2,247,309	3,230,729
Intergovernmental Charges	21,207	19,039	17,127	16,944	11,478
Use of Money and Property	195,390	159,464	154,252	163,618	174,617
Fines and Forfeitures	0	0	15,626	1,218	1,308
Sales of Property and Compensation for Loss	55,761	47,178	70,133	54,071	81,030
State Aid	21,570	10,485	31,110	28,902	11,377
Federal Aid	6,047	56,172	5,198	40,331	38,495
Miscellaneous Local Sources	315,551	331,525	368,570	350,502	414,593
Total Revenues	<u>\$22,186,057</u>	<u>\$23,573,433</u>	<u>\$23,920,936</u>	<u>\$24,523,745</u>	<u>\$26,083,547</u>
Expenditures					
General Government Support	\$1,174,667	\$1,227,168	\$1,194,366	\$1,307,181	\$1,361,315
Public Safety	16,520,216	17,009,220	17,919,490	17,611,162	17,992,494
Home and Community Service	1,283,592	1,279,248	1,310,259	1,298,018	1,513,034
Employee Benefits	1,374,655	1,514,824	1,504,866	1,528,457	1,752,597
Debt Service - Principal & Interest	1,827,387	1,773,823	1,370,548	1,423,829	1,465,758
Total Expenditures	<u>22,180,517</u>	<u>22,804,283</u>	<u>23,299,529</u>	<u>23,168,647</u>	<u>24,085,198</u>
Excess (Def.) of Revenues					
Over (Under) Expenditures	<u>5,540</u>	<u>769,150</u>	<u>621,407</u>	<u>1,355,098</u>	<u>1,998,349</u>
Other Financing Sources (Uses):					
Debt Proceeds	0	6,000	2,954	4,418	23,451
Operating Transfers In	79	444,650	6,215	1,539	0
Operating Transfers Out	<u>(253)</u>	<u>(313)</u>	<u>(191)</u>	<u>(2,509)</u>	<u>(69,332)</u>
Total Other Financing Sources (Uses)	(174)	450,337	8,978	3,448	(45,881)
Excess (Def.) of Revenues and					
Other Financing Sources Over					
Expenditures and Other Uses	<u>5,366</u>	<u>1,219,487</u>	<u>630,385</u>	<u>1,358,546</u>	<u>1,952,468</u>
Fund Balances - Beginning of Year, as restated (1)	(10,062,490)	4,218,718	5,438,205	6,068,590	7,427,136
Fund Balances - End of Year	<u>(\$10,057,124)</u>	<u>\$5,438,205</u>	<u>\$6,068,590</u>	<u>\$7,427,136</u>	<u>\$9,379,604</u>

(1) See Appendix C - Notes to the Financial Statements, herein.

Source: Audited financial statements

Summary itself not audited.

APPENDIX C
AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016*

**CAN BE ACCESSED ON THE ELECTRONIC MUNICIPAL MARKET ACCESS
("EMMA") WEBSITE
OF THE MUNICIPAL SECURITIES RULEMAKING BOARD ("MSRB")
AT THE FOLLOWING LINK:**

<https://emma.msrb.org/EP1189496.pdf>

**The audited financial statements referenced above are hereby incorporated into this
Official Statement.**

*** Nawrocki Smith LLP, Certified Public Accountants has not commented on or approved this Official Statement, has not been requested to perform any procedures on the information in its included report since its date and has not been asked to consent to the inclusion of its report in this Official Statement.**

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APPENDIX D

FORM OF APPROVING LEGAL OPINION OF BOND COUNSEL FOR THE BONDS

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FORM OF OPINION OF BOND COUNSEL

Hawkins Delafield & Wood LLP
28 Liberty Street
New York, New York 10005

August 24, 2017

The Town Board of the
Town of East Hampton, in the
County of Suffolk, New York

Ladies and Gentlemen:

We have acted as Bond Counsel to the Town of East Hampton (the "Town"), in the County of Suffolk, New York, a municipal corporation of the State of New York, and have examined a record of proceedings relating to the authorization, sale and issuance of the \$3,431,425 Various Purposes Serial Bonds-2017 (the "Bonds"), dated and delivered on the date hereof.

In such examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity with originals of all documents submitted to us as copies thereof.

Concurrently with the issuance of the Bonds, the Town is issuing its \$24,650,990 Bond Anticipation Notes - 2017 (the "Notes"). The Bonds are treated, together with the Notes, as a single issue for federal tax purposes. We have served as bond counsel with respect to the issuance of the Notes and, on the date hereof, have rendered our opinion with respect to the exclusion of interest on the Notes from gross income for Federal income tax purposes subject to the same conditions and limitations set forth herein. Noncompliance with such conditions and limitations may cause interest on both the Bonds and the Notes to become subject to Federal income taxation retroactive to the date of issue, irrespective of the date on which such noncompliance occurs or is ascertained.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds are valid and legally binding general obligations of the Town for which the Town has validly pledged its faith and credit and, unless paid from other sources, all the taxable real property within the Town is subject to the levy of ad valorem real estate taxes to pay the Bonds and interest thereon, subject to certain statutory limitations imposed by Chapter 97 of the New York Laws of 2011, as amended. The enforceability of rights or remedies with respect to such Bonds may be limited by bankruptcy, insolvency or other laws affecting creditors' rights or remedies heretofore or hereafter enacted.

2. Under existing statutes and court decisions and assuming continuing compliance with certain tax certifications described herein, (i) interest on the Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations.

The Code establishes certain requirements which must be met subsequent to the issuance of the Bonds in order that the interest on the Bonds be and remain excluded from gross income for federal income tax purposes under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to the use and expenditure of proceeds of the Bonds, restrictions on the investment of proceeds of the Bonds prior to expenditure and the requirement that certain earnings be rebated to the federal government. Noncompliance with such requirements may cause the interest on the Bonds to become subject to federal income taxation retroactive to the date of issuance thereof, irrespective of the date on which such noncompliance occurs or is ascertained.

On the date of issuance of the Bonds, the Town will execute a Tax Certificate relating to the Bonds containing provisions and procedures pursuant to which such requirements can be satisfied. In executing the Tax Certificate, the Town represents that it will comply with the provisions and procedures set forth therein and that it will do and perform all acts and things necessary or desirable to assure that the interest on the Bonds will, for federal income tax purposes, be excluded from gross income.

In rendering the opinion in this paragraph 2, we have relied upon and assumed (i) the material accuracy of the Town's representations, statements of intention and reasonable expectations, and certifications of fact contained in the Tax Certificate with respect to matters affecting the status of the interest on the Bonds, and (ii) compliance by the Town with the procedures and representations set forth in the Tax Certificate as to such tax matters.

3. Under existing statutes, interest on the Bonds is exempt from personal income taxes of New York State and its political subdivisions, including The City of New York.

Except as stated in paragraphs 2 and 3 above, we express no opinion regarding any other federal, state or local tax consequences with respect to the Bonds or the ownership or disposition thereof. Further, we express no opinion herein as to the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for federal income tax purposes of interest on the Bonds, or under state and local tax law.

We render our opinion under existing statutes and court decisions as of the date of issuance of the Bonds, and we assume no obligation to update, revise or supplement this opinion after the issue date to reflect any action hereafter taken or not taken, or any facts or circumstances, or any change in law or in interpretations thereof, or otherwise, that may hereafter arise or occur, or for any other reason.

We give no assurances as to the adequacy, sufficiency or completeness of the Preliminary Official Statement and/or Official Statement relating to the Bonds or any proceedings, reports, correspondence, financial statements or other documents, containing financial or other information relative to the Town, which have been or may hereafter be furnished or disclosed to purchasers of ownership interests in the Bonds.

Very truly yours,

Hawkins Delafield & Wood LLP

APPENDIX E

FORM OF APPROVING LEGAL OPINION OF BOND COUNSEL FOR THE NOTES

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Hawkins Delafield & Wood LLP
28 Liberty Street
New York, New York 10005

August 24, 2017

The Town Board of
the Town of East Hampton,
in the County of Suffolk, New York

Ladies and Gentlemen:

We have acted as Bond Counsel to the Town of East Hampton (the “Town”), in the County of Suffolk, New York, and have examined a record of proceedings relating to the authorization, sale and issuance of the \$24,650,990 Bond Anticipation Notes-2017 (the “Notes”), dated and delivered the date hereof.

We have examined a record of proceedings relating to the Notes for purposes of this opinion. In such examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity with originals of all documents submitted to us as copies thereof.

Concurrently with the issuance of the Notes, the Town is issuing its \$3,431,425 Various Purposes Serial Bonds – 2017 (the “Bonds”). The Notes are treated, together with the Bonds, as a single issue for federal tax purposes. We have served as bond counsel with respect to the issuance of the Bonds and, on the date hereof, have rendered our opinion with respect to the exclusion of interest on the Bonds from gross income for Federal income tax purposes subject to the same conditions and limitations set forth herein. Noncompliance with such conditions and limitations may cause interest on both the Notes and the Bonds to become subject to Federal income taxation retroactive to the date of issue, irrespective of the date on which such noncompliance occurs or is ascertained.

Based upon and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Notes are valid and legally binding general obligations of the Town for which the Town has validly pledged its faith and credit and, unless paid from other sources, all the taxable real property within the Town is subject to the levy of ad valorem real estate taxes to pay the Notes and interest thereon, subject to certain statutory limitations imposed by Chapter 97 of the New York Laws of 2011, as amended. The enforceability of rights or remedies with respect to such Notes may be limited by bankruptcy, insolvency or other laws affecting creditors’ rights or remedies heretofore or hereafter enacted.

2. Under existing statutes and court decisions and assuming continuing compliance with certain tax certifications described herein, (i) interest on the Notes is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and (ii) interest on the Notes is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations.

The Code establishes certain requirements that must be met subsequent to the issuance of the Notes in order that the interest on the Notes be and remain excludable from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to the use and expenditure of proceeds of the Notes, restrictions on the investment of proceeds of the Notes prior to expenditure and the requirement that certain earnings be rebated to the federal government. Noncompliance with such requirements may cause the interest on the Notes to become subject to federal income taxation retroactive to the date of issuance thereof, irrespective of the date on which such noncompliance occurs or is ascertained.

On the date of issuance of the Notes, the Town will execute a Tax Certificate relating to the Notes containing provisions and procedures pursuant to which such requirements can be satisfied. In executing the Tax Certificate, the Town represents that it will comply with the provisions and procedures set forth therein and that it will do and perform all acts and things necessary or desirable to assure that the interest on the Notes will, for federal income tax purposes, be excluded from gross income.

In rendering the opinion in this paragraph 2, we have relied upon and assumed (i) the material accuracy of the Town's representations, statements of intention and reasonable expectations, and certifications of fact contained in the Tax Certificate with respect to matters affecting the status of the interest on the Notes, and (ii) compliance by the Town with the procedures and representations set forth in the Tax Certificate as to such tax matters.

3. Under existing statutes, interest on the Notes is exempt from personal income taxes of New York State and its political subdivisions, including The City of New York.

Except as stated in paragraphs 2 and 3 above, we express no opinion as to any other federal, state or local tax consequences with respect to the Notes or the ownership or disposition thereof. Further, we express no opinion herein as to the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for federal income tax purposes of the interest on the Notes, or under state and local tax law.

We render our opinion under existing statutes and court decisions as of the date of issuance of the Notes, and we assume no obligation to update, revise or supplement this opinion after the issue date to reflect any action hereafter taken or not taken, or any facts or circumstances, or any change in law or in interpretations thereof, or otherwise, that may hereafter arise or occur, or for any other reason.

We give no assurances as to the adequacy, sufficiency or completeness of the Preliminary Official Statement and/or Official Statement relating to the Notes or any proceedings, reports, correspondence, financial statements or other documents, containing financial or other information relative to the Town, which have been or may hereafter be furnished or disclosed to purchasers of ownership interests in the Notes.

Very truly yours,

Hawkins Delafield & Wood LLP

APPENDIX F

FORM OF DISCLOSURE UNDERTAKING FOR THE BONDS

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FORM OF
UNDERTAKING TO PROVIDE CONTINUING DISCLOSURE

Section 1. Definitions

“Annual Information” shall mean the information specified in Section 3 hereof.

“EMMA” shall mean the Electronic Municipal Market Access System implemented by the MSRB.

“GAAP” shall mean generally accepted accounting principles as in effect from time to time in the United States.

“Holder” shall mean any registered owner of the Securities and any beneficial owner of Securities within the meaning of Rule 13d-3 under the Securities Exchange Act of 1934.

“Issuer” shall mean the **Town of East Hampton**, in the County of Suffolk, a municipal corporation of the State of New York.

“MSRB” shall mean the Municipal Securities Rulemaking Board established in accordance with the provisions of Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of the MSRB contemplated by this Agreement.

“Purchaser” shall mean the financial institution referred to in the Certificate of Award, executed by the Supervisor as of August 16, 2017.

“Rule” shall mean Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934 (17 CFR Part 240, §240.15c2-12), as amended, as in effect on the date of this Undertaking, including any official interpretations thereof issued either before or after the effective date of this Undertaking which are applicable to this Undertaking.

“Securities” shall mean the Issuer’s **\$3,431,425 VARIOUS PURPOSES SERIAL BONDS-2017**, dated August 24, 2017, maturing in various principal amounts on August 15 in each of the years 2018 to 2025, inclusive, and delivered on the date hereof.

Section 2. Obligation to Provide Continuing Disclosure. (a) The Issuer hereby undertakes, for the benefit of Holders of the Securities, to provide or cause to be provided either directly or through Capital Markets Advisors, LLC, 11 Grace Avenue, Suite 308, Great Neck, New York, 11021, to the EMMA System:

- (i) (A) no later than six (6) months after the end of each fiscal year, commencing with the fiscal year ending December 31, 2017, the Annual Information relating to such fiscal year, and (B) no later than six (6) months after the end of each fiscal year, commencing with the fiscal year ending December 31, 2017, the audited financial statements of the Issuer for each fiscal year, if audited financial statements are prepared by the Issuer and then available; provided, however, that if audited financial statements are not prepared or are not then available, unaudited financial

statements shall be provided and audited financial statements, if any, shall be delivered to the EMMA System within sixty (60) days after they become available and in no event later than one (1) year after the end of each fiscal year; provided further, however, that the unaudited financial statement shall be provided for any fiscal year only if the Issuer has made a determination that providing such unaudited financial statement would be compliant with federal securities laws, including Rule 10b-5 of the Securities Exchange Act of 1934 and Rule 17(a)(2) of the Securities Act of 1933; and

- (ii) in a timely manner, not in excess of ten (10) business days after the occurrence of such event, notice of any of the following events with respect to the Securities:
 - (1) principal and interest payment delinquencies;
 - (2) non-payment related defaults, if material;
 - (3) unscheduled draws on debt service reserves reflecting financial difficulties;
 - (4) unscheduled draws on credit enhancements reflecting financial difficulties;
 - (5) substitution of credit or liquidity providers, or their failure to perform;
 - (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Securities, or other events affecting the tax status of the Securities;
 - (7) modifications to rights of Securities holders, if material;
 - (8) Bond calls, if material, and tender offers;
 - (9) defeasances;
 - (10) release, substitution, or sale of property securing repayment of the Securities, if material;
 - (11) rating changes;
 - (12) bankruptcy, insolvency, receivership or similar event of the Issuer;

Note to clause (12): For the purposes of the event identified in clause (12) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or

government authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing 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 Issuer;

- (13) the consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, 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, if material; and
- (14) appointment of a successor or additional trustee or the change of name of a trustee, if material.

- (iii) in a timely manner, not in excess of ten (10) business days after the occurrence of such event, notice of a failure to provide by the date set forth in Section 2(a)(i) hereof any Annual Information required by Section 3 hereof.

(b) Nothing herein shall be deemed to prevent the Issuer from disseminating any other information in addition to that required hereby in the manner set forth herein or in any other manner. If the Issuer disseminates any such additional information, the Issuer shall have no obligation to update such information or include it in any future materials disseminated hereunder.

(c) Nothing herein shall be deemed to prevent the Issuer from providing notice of the occurrence of certain other events, in addition to those listed above, if the Issuer determines that any such other event is material with respect to the Securities; but the Issuer does not undertake to commit to provide any such notice of the occurrence of any event except those events listed above.

Section 3. Annual Information. (a) The required Annual Information shall consist of the financial information and operating data for the preceding fiscal year, in a form generally consistent with the information contained or cross-referenced in the Issuer's final official statement relating to the Securities under the heading "LITIGATION" and in Appendix A under the headings: "THE TOWN," "FINANCIAL FACTORS," "TAX INFORMATION," "TOWN INDEBTEDNESS" and "ECONOMIC AND DEMOGRAPHIC DATA" and in Appendix B.

(b) All or any portion of the Annual Information may be incorporated in the Annual Information by cross reference to any other documents which are (i) available to the public on the EMMA System or (ii) filed with the SEC. If such a document is a final official statement, it also must be available from the EMMA System.

(c) Annual Information for any fiscal year containing any modified operating data or financial information (as contemplated by Section 7(e) hereof) for such fiscal year shall explain, in narrative form, the reasons for such modification and the effect of such modification on the Annual Information being provided for such fiscal year. If a change in accounting principles is included in any such modification, such Annual Information shall present a comparison between the financial statements or information prepared on the basis of the modified accounting principles and those prepared on the basis of the former accounting principles.

Section 4. Financial Statements. The Issuer's annual financial statements for each fiscal year, if prepared, shall be prepared in accordance with GAAP or New York State regulatory requirements as in effect from time to time. Such financial statements, if prepared, shall be audited by an independent accounting firm. The Issuer's Annual Financial Report Update Document prepared by the Issuer and filed annually with New York State in accordance with applicable law, shall not be subject to the foregoing requirements.

Section 5. Remedies. If the Issuer shall fail to comply with any provision of this Undertaking, then any Holder of Securities may enforce, for the equal benefit and protection of all Holders similarly situated, by mandamus or other suit or proceeding at law or in equity, this Undertaking against the Issuer and any of the officers, agents and employees of the Issuer, and may compel the Issuer or any such officers, agents or employees to perform and carry out their duties under this Undertaking; provided that the sole and exclusive remedy for breach of this Undertaking shall be an action to compel specific performance of the obligations of the Issuer hereunder and no person or entity shall be entitled to recover monetary damages hereunder under any circumstances. Failure to comply with any provision of this Undertaking shall not constitute an event of default on the Securities.

Section 6. Parties in Interest. This Undertaking is executed to assist the Purchaser to comply with paragraph (b)(5) of the Rule and is delivered for the benefit of the Holders. No other person shall have any right to enforce the provisions hereof or any other rights hereunder.

Section 7. Amendments. Without the consent of any holders of Securities, the Issuer at any time and from time to time may enter into any amendments or changes to this Undertaking for any of the following purposes:

- (a) to comply with or conform to any changes in Rule 15c2-12 (whether required or optional);
- (b) to add a dissemination agent for the information required to be provided hereby and to make any necessary or desirable provisions with respect thereto;
- (c) to evidence the succession of another person to the Issuer and the assumption of any such successor of the duties of the Issuer hereunder;
- (d) to add to the duties of the Issuer for the benefit of the Holders, or to surrender any right or power herein conferred upon the Issuer;
- (e) to modify the contents, presentation and format of the Annual Information from time to time to conform to changes in accounting or disclosure

principles or practices and legal requirements followed by or applicable to the Issuer or to reflect changes in the identity, nature or status of the Issuer or in the business, structure or operations of the Issuer or any mergers, consolidations, acquisitions or dispositions made by or affecting any such person; provided that any such modifications shall comply with the requirements of Rule 15c2-12 or Rule 15c2-12 as in effect at the time of such modification; or

- (f) to cure any ambiguity, to correct or supplement any provision hereof which may be inconsistent with any other provision hereof, or to make any other provisions with respect to matters or questions arising under this Undertaking which, in each case, comply with Rule 15c2-12 or Rule 15c2-12 as in effect at the time of such amendment or change;

provided that no such action pursuant to this Section 7 shall adversely affect the interests of the Holders in any material respect. In making such determination, the Issuer shall rely upon an opinion of nationally recognized bond counsel.

Section 8. Termination. This Undertaking shall remain in full force and effect until such time as all principal, redemption premiums, if any, and interest on the Securities shall have been paid in full or the Securities shall have otherwise been paid or legally defeased pursuant to their terms. Upon any such legal defeasance, the Issuer shall provide notice of such defeasance to the EMMA System. Such notice shall state whether the Securities have been defeased to maturity or to redemption and the timing of such maturity or redemption.

In addition, this Agreement, or any provision hereof, shall be null and void in the event that those portions of the Rule which require this Agreement, or such provision, as the case may be, do not or no longer apply to the Securities, whether because such portions of the Rule are invalid, have been repealed, or otherwise.

Section 9. Undertaking to Constitute Written Agreement or Contract. This Undertaking shall constitute the written agreement or contract for the benefit of Holders of Securities, as contemplated under Rule 15c2-12.

Section 10. Governing Law. This Undertaking shall be governed by the laws of the State of New York determined without regard to principles of conflict of law.

IN WITNESS WHEREOF, the undersigned has duly authorized, executed and delivered this Undertaking as of August 24, 2017.

TOWN OF EAST HAMPTON

By _____
Supervisor and Chief Fiscal Officer

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APPENDIX G

**FORM OF UNDERTAKING TO PROVIDE NOTICES OF EVENTS
FOR THE NOTES**

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UNDERTAKING TO PROVIDE NOTICES OF EVENTS

Section 1. Definitions

“EMMA” shall mean the Electronic Municipal Market Access System implemented by the MSRB.

“GAAP” shall mean generally accepted accounting principles as in effect from time to time in the United States.

“Holder” shall mean any registered owner of the Securities and any beneficial owner of Securities within the meaning of Rule 13d-3 under the Securities Exchange Act of 1934.

“Issuer” shall mean the Town of East Hampton, in the County of Suffolk, a municipal corporation of the State of New York.

“MSRB” shall mean the Municipal Securities Rulemaking Board established in accordance with the provisions of Section 15B(b)(1) of the Securities Exchange Act of 1934.

“Purchaser” shall mean the financial institution referred to in the Certificate of Determination, executed by the Town Supervisor as of August 16, 2017.

“Rule 15c2-12” shall mean Rule 15c2-12 under the Securities Exchange Act of 1934, as amended through the date of this Undertaking, including any official interpretations thereof.

“Securities” shall mean the Issuer’s \$24,650,990 Bond Anticipation Notes-2017, dated August 24, 2017, maturing on August 24, 2018, and delivered on the date hereof.

Section 2. Obligation to Provide Notices of Events. (a) The Issuer hereby undertakes, for the benefit of Holders of the Securities, to provide or cause to be provided either directly or through Capital Markets Advisors, LLC, 11 Grace Avenue, Suite 308, Great Neck, New York 11021 to the Electronic Municipal Market Access (“EMMA”) System implemented by the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of such Board contemplated by the Undertaking, in a timely manner, not in excess of ten (10) business days after the occurrence of any such event, notice of any of the following events with respect to the Securities:

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults, if material;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;

- (v) substitution of credit or liquidity providers, or their failure to perform;
- (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Securities, or other events affecting the tax status of the Securities;
- (vii) modifications to rights of Securities holders, if material;
- (viii) Bond calls, if material, and tender offers;
- (ix) defeasances;
- (x) release, substitution, or sale of property securing repayment of the Securities, if material;
- (xi) rating changes;
- (xii) bankruptcy, insolvency, receivership or similar event of the Issuer;

Note to clause (xii): For the purposes of the event identified in clause (xii) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or government authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing 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 Issuer;

- (xiii) the consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, 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, if material; and
- (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) Nothing herein shall be deemed to prevent the Issuer from disseminating any other information in addition to that required hereby in the manner set forth herein or in any

other manner. If the Issuer disseminates any such additional information, the Issuer shall have no obligation to update such information or include it in any future materials disseminated hereunder.

(c) Nothing herein shall be deemed to prevent the Issuer from providing notice of the occurrence of certain other events, in addition to those listed above, if the Issuer determines that any such other event is material with respect to the Securities; but the Issuer does not undertake to commit to provide any such notice of the occurrence of any event except those events listed above.

Section 3. Remedies. If the Issuer shall fail to comply with any provision of this Undertaking, then any Holder of Securities may enforce, for the equal benefit and protection of all Holders similarly situated, by mandamus or other suit or proceeding at law or in equity, this Undertaking against the Issuer and any of the officers, agents and employees of the Issuer, and may compel the Issuer or any such officers, agents or employees to perform and carry out their duties under this Undertaking; provided that the sole and exclusive remedy for breach of this Undertaking shall be an action to compel specific performance of the obligations of the Issuer hereunder and no person or entity shall be entitled to recover monetary damages hereunder under any circumstances. Failure to comply with any provision of this Undertaking shall not constitute an event of default on the Securities.

Section 4. Parties in Interest. This Undertaking is executed to assist the Purchaser to comply with (b)(5) of the Rule and is delivered for the benefit of the Holders. No other person shall have any right to enforce the provisions hereof or any other rights hereunder.

Section 5. Amendments. Without the consent of any holders of Securities, the Issuer at any time and from time to time may enter into any amendments or changes to this Undertaking for any of the following purposes:

- (a) to comply with or conform to any changes in Rule 15c2-12 (whether required or optional);
- (b) to add a dissemination agent for the information required to be provided hereby and to make any necessary or desirable provisions with respect thereto;
- (c) to evidence the succession of another person to the Issuer and the assumption of any such successor of the duties of the Issuer hereunder;
- (d) to add to the duties of the Issuer for the benefit of the Holders, or to surrender any right or power herein conferred upon the Issuer;
- (e) to cure any ambiguity, to correct or supplement any provision hereof which may be inconsistent with any other provision hereof, or to make any other provisions with respect to matters or questions arising under this Undertaking which, in each case, comply with Rule 15c2-12 or Rule 15c2-12 as in effect at the time of such amendment or change;

provided that no such action pursuant to this Section 5 shall adversely affect the interests of the Holders in any material respect. In making such determination, the Issuer shall rely upon an opinion of nationally recognized bond counsel.

Section 6. Termination. This Undertaking shall remain in full force and effect until such time as all principal, redemption premiums, if any, and interest on the Securities shall have been paid in full or the Securities shall have otherwise been paid or legally defeased in accordance with their terms. Upon any such legal defeasance, the Issuer shall provide notice of such defeasance to the EMMA System. Such notice shall state whether the Securities have been defeased to maturity or to redemption and the timing of such maturity or redemption.

Section 7. Undertaking to Constitute Written Agreement or Contract. This Undertaking shall constitute the written agreement or contract for the benefit of Holders of Securities, as contemplated under Rule 15c2-12.

Section 8. Governing Law. This Undertaking shall be governed by the laws of the State of New York determined without regard to principles of conflict of law.

IN WITNESS WHEREOF, the undersigned has duly authorized, executed and delivered this Undertaking as of August 24, 2017.

TOWN OF EAST HAMPTON, NEW YORK

By _____
TOWN SUPERVISOR