

## OFFICIAL STATEMENT DATED APRIL 19, 2010

### RENEWALS

### BOND ANTICIPATION NOTES

*In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Notes is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. In the further opinion of Bond Counsel, interest on the Notes is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, nor is it included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel is also of the opinion that interest on the Notes is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York.) Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual of interest on, the Notes. See "Tax Matters". The Notes will be designated as "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Code.*

### TOWN OF ULSTER ULSTER COUNTY, NEW YORK (the "Town")

**\$1,166,371**

### BOND ANTICIPATION NOTES, 2010 RENEWAL [BOOK-ENTRY-ONLY NOTES]

Dated Date: May 5, 2010

Maturity Date: May 5, 2011

**Security and Sources of Payment:** The Notes will constitute general obligations of the Town and will contain a pledge of its faith and credit for the punctual payment of the principal of and interest on the Notes, and all the taxable real property within the Town will be subject to the levy of ad valorem taxes, without limitation as to rate or amount, for such purpose.

**Prior Redemption:** The Notes are not subject to redemption prior to their maturity.

**Form and Denomination:** The Notes will be issued as registered notes, and, when issued, will be registered in the name of Cede & Co. as nominee of The Depository Trust Company, ("DTC") New York, New York, which will act as the securities depository for the Notes. Individual purchases of the Notes may be made only in book-entry form in denominations of \$5,000 or integral multiples thereof, except for one necessary odd denomination. Noteholders will not receive certificates representing their ownership interest in the Notes purchased. See "Book-Entry-Only System" under "The Notes," herein.

**Payment:** Payment of the principal of and interest on the Notes to the Beneficial Owner of the Notes will be made by DTC Participants and Indirect Participants in accordance with standing instructions and customary practices, as is now the case with municipal securities held for the accounts of customers in bearer form or registered in "street name." Payment will be the responsibility of the DTC Participant or Indirect Participant and not of DTC or the Town, subject to any statutory and regulatory requirements as may be in effect from time to time. See "Book-Entry-Only System" under "The Notes," herein.

*The Notes are offered when, as and if issued and received by the purchaser and subject to the receipt of the unqualified legal opinion as to the validity of the Notes of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, of New York, New York. It is anticipated that the Notes will be available for delivery through the facilities of DTC in New York, New York on or about May 5, 2010.*

THE TOWN DEEMS THIS OFFICIAL STATEMENT TO BE FINAL FOR PURPOSES OF SECURITIES AND EXCHANGE COMMISSION RULE 15c2-12 (THE "RULE"), EXCEPT FOR CERTAIN INFORMATION THAT HAS BEEN OMITTED HEREFROM IN ACCORDANCE WITH SAID RULE AND THAT WILL BE SUPPLIED WHEN THIS OFFICIAL STATEMENT IS UPDATED FOLLOWING THE SALE OF THE OBLIGATIONS HEREIN DESCRIBED. THIS OFFICIAL STATEMENT WILL BE SO UPDATED UPON REQUEST OF THE SUCCESSFUL BIDDER AS MORE FULLY DESCRIBED IN THE NOTICE OF SALE WITH RESPECT TO THE OBLIGATIONS HEREIN DESCRIBED. IN ADDITION, THE TOWN WILL COVENANT IN AN UNDERTAKING TO PROVIDE NOTICE OF CERTAIN MATERIAL EVENTS (AS DEFINED IN THE RULE) AS REQUIRED BY THE RULE (SEE "MATERIAL EVENT NOTICES," HEREIN).

**TOWN OF ULSTER  
ULSTER COUNTY, NEW YORK**

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**TOWN BOARD**

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\* \* \*

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\* \* \*

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# OFFICIAL STATEMENT

Relating to

**TOWN OF ULSTER,  
ULSTER COUNTY, NEW YORK**

**\$1,166,371**

**BOND ANTICIPATION NOTES, 2010 RENEWAL  
[BOOK-ENTRY-ONLY NOTES]**

## THE NOTES

### General

The \$1,166,371 Bond Anticipation Notes, 2010 (the "Notes") will be general obligations of the Town of Ulster, Ulster County, New York (the "Town"), and will contain a pledge of the Town's faith and credit for the payment of the principal thereof and interest thereon as required by the Constitution and laws of the State of New York (State Constitution, Article VIII, Section 2; Local Finance Law, Section 100.00). The Notes will be dated May 5, 2010 and will mature, without option of redemption prior to maturity, on May 5, 2011 with interest payable at maturity.

The Notes will be issued in book-entry form and when issued will be registered in the name of Cede & Co. as nominee for The Depository Trust Company ("DTC"), New York, New York. See "Book-Entry Only System" herein. DTC will act as Securities Depository for the Notes. Individual purchases will be made in book-entry form only, in the principal amount of \$5,000 or integral multiples thereof, except for one necessary odd denomination. A single note will be issued for all Notes. Purchasers will not receive certificates representing their interest in the Notes. Principal and interest will be paid by the Town directly to DTC for its nominee, Cede & Co.

### Book-Entry-Only System

DTC will act as securities depository for the Notes (the "Notes"). The Notes will be issued as fully-registered 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 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, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. 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](http://www.dtcc.com).

Purchases of Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for 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 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 Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all 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 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 Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such 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 proceeds, distributions, and dividend payments on 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 Town, 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 Notes 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 nor its nominee, agent, 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 Notes at any time by giving reasonable notice to the Town. Under such circumstances, in the event that a successor depository is not obtained, note certificates are required to be printed and delivered.

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: DTC

### **Certificated Notes**

DTC may discontinue providing its services with respect to the Notes at any time by giving notice to the Town and discharging its responsibilities with respect thereto under applicable law. In the event that such book-entry-only system is discontinued, the following provisions will apply:

The Notes will be issued in bearer form in denominations of \$5,000 or integral multiples thereof, except for one necessary odd denomination. Principal of and interest on the Notes will be payable through a bank or trust company located and authorized to do business in the State designated by the Town as fiscal agent for this purpose.

### **Authorization and Purpose**

The proceeds of the Notes plus available funds in the amount of \$182,129 will be used to renew notes issued to pay the cost of tax refunds in the amount of \$1,042,760.04 and an order on consent to the Environmental Protection Agency in the amount of \$123,610.96.

## **Security and Source of Payment**

The Notes are general obligations of the Town and will contain a pledge of its faith and credit for the payment of the principal of and interest on the Notes as required by the Constitution and laws of the State of New York (State Constitution, Art. VIII, Section 2; Local Finance Law, Section 100.00). For the payment of such principal and interest, the Town has the power and statutory authorization to levy ad valorem taxes on all taxable real property in the Town without limitation as to rate or amount.

Interest on the Notes will be provided from budget appropriations.

For a description of prior issues of bond anticipation notes and of projected issues of obligations for capital and operating purposes of the Town, see "Details of Short-Term Indebtedness Outstanding".

### **Special Provisions Affecting Remedies Upon Default**

Section 3-a of the General Municipal Law provides, subject to exceptions not pertinent, that the rate of interest to be paid by the Town upon any judgment or accrued claim against the Town shall not exceed nine per centum per annum. This provision might be construed to have application to the holders of the Notes in the event of a default in the payment of the principal of or interest on the Notes.

In accordance with the general rule with respect to municipalities, judgments against the Town may not be enforced by levy and execution against property owned by the Town.

The Federal Bankruptcy Code allows public bodies recourse to the protection of a Federal Court for the purpose of adjusting outstanding indebtedness. Section 85.80 of the Local Finance Law contains specific authorization for any municipality in the State to file a petition under any provision of Federal bankruptcy law for the composition or adjustment of municipal indebtedness.

At the Extraordinary Session of the State Legislature held in November, 1975, legislation was enacted which purported to suspend the right to commence or continue an action in any court to collect or enforce certain short-term obligations of the City of New York. The effect of such act was to create a three-year moratorium on actions to enforce the payment of such obligations. On November 19, 1976, the Court of Appeals, the State's highest court, declared such act to be invalid on the ground that it violates the provisions of the State Constitution requiring a pledge by such City of its faith and credit for the payment of such obligations.

As a result of the Court of Appeals decision, the constitutionality of that portion of Title 6-A 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.

There is in the Constitution of the State, Article VIII, Section 2, the following provisions relating to the annual appropriation of monies for the payment of due principal of and interest on indebtedness of every county, city, town, village and school district in the State: "If at any time for 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 country, 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."

The Constitutional provisions providing for first revenue set asides does not apply to tax anticipation notes, revenue anticipation notes or bond anticipation notes.

## **THE TOWN**

There follows in this Statement a brief description of the Town, together with certain information concerning its economy and governmental organization, its indebtedness, current major revenue sources and expenditures and general and specific funds.

### **Description**

The Town, with a land area of 28.4 square miles and a population of 12,544 according to the 2000 U.S. Census, is located on the western bank of the Hudson River about 90 miles north of New York City and about 50

miles south of Albany. The Town entirely surrounds the City of Kingston, the county seat of Ulster County and the industrial, commercial and shipping center for the surrounding region.

Commercial, industrial, suburban residential and agricultural valuations combine to give Ulster a varied economic base. Agricultural operations concentrate on poultry raising and the production of fruits and vegetables. Commercial enterprises are centered in several large shopping centers which serve shoppers from surrounding towns as well as residents of Kingston and Ulster. Residential development consists mainly of single-family homes and there are also several large garden apartment complexes situated in the Town.

International Business Machines Corporation (“IBM”), the areas largest employer and taxpayer for several decades sold its Town of Ulster holdings to real estate developer Alan Ginsberg in February of 1998 who formed several limited liability corporations therefore. A.G. Properties of Kingston, LLC, Ulster Business Complex, LLC and TechCity 22, 23 & 24, LLC hold the title to the 2.5 million square foot site. At the present time approximately 40% of the site is currently leased to Fleet Financial Services, who process New York State tax returns. Total employment on the site is approximately 1200-1500 people.

Residents find employment at the commercial, industrial, financial and governmental operations in the Town, in Kingston and in the Poughkeepsie region, access to which is provided by the Kingston-Rhinecliff Bridge, located in the Town.

Water transport on the Hudson River and Conrail supplement a road and highway network which includes the New York State Thruway (Toll Booth No. 19 is located in the Town) and N.Y. State Routes 9W, 199, 209, 28 and 32.

### **Governmental Organization**

The Town was established in 1879 pursuant to enactment of the New York State Legislature. The Town is located in the County of Ulster, New York, which County is divided for local government purposes into twenty towns and the City of Kingston. In turn, some of such Towns contain incorporated villages established for purposes of providing certain municipal services and facilities to their residents. The Town is a political subdivision of the State having its own elected legislative body, the Town Board, pursuant to Constitutional provision.

The Town Board consists of five members, the presiding officer of which is the Town Supervisor elected for a two-year term. The four additional members of the Town Board are elected for four-year staggered terms every two years. The Town Supervisor and the board members are elected at large.

The Supervisor is the chief executive officer of the Town. Additional Town officers are the Town Clerk, and the Superintendent of Highways who are elected at large for four-year terms, The Assessor, the Superintendents of the Water and Sewer Departments are appointed by the Town Board.

The Town provides the bulk of municipal services furnished to the residents thereof and for such purpose furnishes water and sewer facilities, builds and maintains Town highways and provides public safety through a police department. Fire protection is provided through separate entities, the various fire districts and voluntary fire organizations in the Town. Planning and the financing of Town courts are provided by the Town. Regulation of building construction along with the usual municipal services of recreational facilities and street lighting are all Town functions. Social services and health services, to the extent provided on a public basis, are essentially County responsibilities.

### **Employees**

The Town provides services through 87 full-time employees, and 33 part-time employees. The majority of full-time employees are covered under labor contracts either with the Patrolmen’s Benevolent Association (Police – 47 members) or Laborer’s Local #17 (General Town Employees, Highway, Water and Sewer – 46 members). Both contracts have expired (Police – 12/31/2008) and (Laborer’s Local #17 – 12/31/2009) and are currently in negotiations.

## DEMOGRAPHIC AND STATISTICAL INFORMATION

The following tables present certain comparative demographic and statistical information regarding the Town, the County, the State and the United States.

### Population

<u>Year</u>	<u>Town of Ulster</u>	<u>Ulster County</u>	<u>New York State</u>	<u>United States</u>
1940 .....	3,993	87,017	13,479,000	132,165,000
1950 .....	4,411	92,621	14,830,000	151,326,000
1960 .....	8,448	118,804	16,782,000	179,323,000
1970 .....	11,711	141,241	18,237,000	203,216,000
1980 .....	12,292	158,158	17,557,288	226,504,825
1990 .....	12,329	165,304	17,990,455	249,632,692
2000 .....	12,544	177,749	18,976,457	284,375,885

Source: U.S. Bureau of the Census

### Building Permits

	<u>Residential</u>		<u>Commercial</u>		<u>Industrial</u>		<u>Total Value</u>
	<u>New</u>	<u>Other</u>	<u>New</u>	<u>Other</u>	<u>New</u>	<u>Other</u>	
2005 .....	30	122	2	38	-	-	19,770,872
2006 .....	11	134	7	34	-	-	17,432,022
2007 .....	8	137	10	33	-	-	20,302,456
2008 .....	7	116	5	46	-	-	33,538,979
2009 .....	10	123	10	38	-	-	10,102,146

### Per Capita Income

	<u>Town of Ulster</u>	<u>Ulster County</u>	<u>New York State</u>
1980.....	\$ 7,428	\$ 6,629	\$ 7,496
1990.....	16,657	14,921	16,501
2000.....	22,069	20,846	23,389
2008.....	NA	28,384	30,804

Source: U.S. Dept. of Commerce, Bureau of the Census.

### Unemployment Rate Statistics

Unemployment statistics are not available for the Town as such. The smallest area for which such statistics are available (which includes the Town) is the County of Ulster. The information set forth below with respect to such County is included for information purposes only. It should not be implied from the inclusion of such data in this Statement that the Town is necessarily representative of the County or vice versa.

Annual Averages:	<u>Ulster County</u>	<u>New York State</u>
2006 .....	4.1%	4.5%
2007 .....	4.1	4.5
2008 .....	5.5	5.4
2009 .....	7.8	8.3
2010 (2 months) .....	8.7	9.4

Source: Department of Labor, State of New York

## Selected Listing of Sizeable Employers

<u>Name</u>	<u>Type</u>	<u>Approx. No. of Employees</u>
Hudson Valley Mall .....	Shopping Center	1,425
Bank of America.....	Administrative	1,000 (seasonal)
Uniprise .....	Insurance Processing	450
Ulster County Government.....	County Government	450
Northeast Center For Special Care .....	Head Trauma Center	400
Wal-Mart .....	Department Store	350
NYMED .....	Nursing Home	300
Lowe's .....	Home Improvement Store	200
Sam's Club .....	Warehouse Store	200
Shop Rite Market .....	Supermarket	175
Home Depot .....	Home Improvement Store	150
Marshalls .....	Department Store	40

## INDEBTEDNESS OF THE TOWN

### Constitutional Requirements

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

**Purpose and Pledge.** Subject to certain enumerated exceptions, 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 year periods, 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. No installment may be more than fifty per centum in excess of the smallest prior installment unless the Town Board provides for and utilizes substantially level or declining annual debt service in the manner prescribed by the State Legislature. 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 or such required annual installments on its notes.

**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 average full valuation of the taxable real estate of the Town and subject to certain enumerated exclusions and deductions such as water and certain sewer facilities and cash or appropriations for current debt service. The constitutional and statutory method for determining full valuation is by taking the assessed valuation of taxable real estate for the last completed assessment roll of the Town and dividing the same by the equalization rate, or the ratio which such assessed valuation bears to the full valuation, as determined by the State Offices of Real Property Services. The State Legislature is required to prescribe the manner by which such ratio shall be determined. Average full valuation is determined by taking the sum of the full valuations of such last completed assessment roll and the four preceding assessment rolls and dividing such sum by five.

### Statutory Requirements and Procedure

In general, the State Legislature has, by the enactment of the Local Finance Law, authorized the powers 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 issuance of bonds by the adoption of a bond resolution, approved by at least two-thirds of the members of the Town Board, the finance board of the Town.

Customarily, the Town Board has delegated to the Supervisor, as chief fiscal officer of the Town, the power to authorize and sell bond anticipation notes in anticipation of authorized bonds.

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.

The Local Finance Law also provides that where a bond resolution is published with a statutory form of notice, the validity of the bonds authorized thereby, including bond anticipation notes issued in anticipation of the sale thereof, may be contested only if:

- 1) Such obligations are authorized for a purpose for which the Town is not authorized to expend money, or
- 2) There has not been substantial compliance with the provisions of law which should have been complied with in the authorization of such obligations and an action contesting such validity is commenced within twenty days after the date of such publication,

or

- 3) Such obligations are authorized in violation of the provisions of the Constitution.

Except on rare occasions the Town complies with this estoppel procedure. It is a procedure that is recommended by Bond Counsel, but it is not an absolute legal requirement.

Statutory law in New York permits bond anticipation notes to be renewed each year provided annual principal installments are made in reduction of the total amount of such notes outstanding, commencing no later than two years from the date of the first of such notes and provided that such renewals do not extend five years beyond the original date of borrowing. (See "Payment and Maturity" under "Constitutional Requirements" herein, and "Details of Outstanding Indebtedness" herein).

In general, the Local Finance Law contains provisions providing the Town with power to issue certain other short-term general obligation indebtedness including revenue and tax anticipation notes and budget notes (see "Details of Outstanding Indebtedness" herein).

The following pages present certain details with respect to the indebtedness of the Town as of the date of this Official Statement.

**Computation of Debt Limit and Net Debt Contracting Margin**  
(As of April 19, 2010)

Fiscal Year Ending December 31:	Taxable Assessed Valuation	State Equalization Rate	Taxable Full Valuation
2006 .....	\$ 986,657,749	80.00%	\$1,233,322,186
2007 .....	1,004,963,369	71.02	1,415,042,761
2008 .....	1,016,721,771	69.00	1,473,509,813
2009 .....	1,023,551,593	69.50	1,472,736,105
2010 .....	1,008,775,316	69.10	1,459,877,447
Total Five Year Full Valuation .....			\$7,054,488,312
Average Five Year Full Valuation .....			1,410,897,662
Debt Limit - 7% of Average Full Valuation .....			98,762,836
<b>Inclusions:</b>			
Outstanding Bonds:			
Water Purposes .....			3,322,500
Sewer Purposes (Excluded) .....			1,865,000
General Purposes .....			1,611,000
Sub-Total .....			<u>6,798,500</u>
Bond Anticipation Notes .....			<u>2,829,500</u>
Total Inclusions .....			<u>9,628,000</u>
<b>Exclusions:</b>			
Water Purposes .....			3,322,500
Sewer Purposes (Excluded) <sup>1</sup> .....			1,865,000
Appropriations .....			<u>120,000</u>
Total Exclusions .....			<u>5,307,500</u>
Total Net Indebtedness Before issuing the Notes .....			<u>4,320,500<sup>2</sup></u>
The BANs .....			1,166,371
Less: BANs to be paid from proceeds .....			<u>1,166,371</u>
Net Effect of Issuing the Notes .....			<u>-0-</u>
Total Net Indebtedness After Issuing the Notes .....			<u>4,320,500</u>
Net Debt Contracting Margin .....			<u>\$94,442,336</u>

1. Excluded pursuant to a certificate issued by the Comptroller of the State of New York in accordance with Section 124.10 of the Local Finance Law.
2. Represents 4.37% of the Debt Limit of \$98,762,836.

**Details of Short-Term Indebtedness Outstanding**

As of the date of this Official Statement the Town has the following short-term obligations outstanding.

<u>Type</u>	<u>Maturity</u>	<u>Purpose</u>	<u>Amount</u>
BAN	11-05-10	Bright Acres Water District .....	\$ 106,000
BAN	05-05-10	Various Purposes .....	1,348,500
BAN	10-21-10	Highway Equipment & Senior Center .....	<u>1,375,000</u>
			<u>2,829,500</u>

1. Will be redeemed from the proceeds of the Notes

**Other Short Term Indebtedness**

As of the date of this Official Statement, the Town does not have any tax anticipation notes, or budget notes outstanding.

**Authorized But Unissued Items**

As of the date of this official statement the Town has no authorized but unissued debt.

**Anticipated Future Borrowings**

The Town has no formal capital program. Improvements are authorized to be funded from time to time as the Town Board deems necessary.

**Debt Service Requirements - Outstanding Bonds**

Fiscal Year Ending December 31:	<u>Principal</u>	<u>Interest</u> <sup>1</sup>	<u>Total</u>
2010 .....	\$ 332,000	\$ 251,398	\$ 583,398
2011 .....	333,500	239,890	573,390
2012 .....	339,500	228,175	567,675
2013 .....	345,500	215,904	561,404
2014 .....	351,500	203,108	554,608
2015 .....	257,500	189,874	447,374
2016 .....	209,000	180,206	389,206
2017 .....	230,000	172,961	402,961
2018 .....	237,000	165,473	402,473
2019 .....	243,000	157,748	400,748
2020 .....	244,500	149,715	394,215
2021 .....	171,500	143,493	314,993
2022 .....	177,500	139,123	316,623
2023 .....	180,000	134,459	314,459
2024 .....	187,000	129,675	316,675
2025 .....	189,000	124,573	313,573
2026 .....	196,500	119,273	315,773
2027 .....	128,500	113,752	242,252
2028 .....	131,000	107,911	238,911
2029 .....	138,000	101,953	239,953
2030 .....	145,000	95,572	240,572
2031 .....	152,500	88,994	241,494
2032 .....	160,500	82,050	242,550
2033 .....	163,000	74,762	237,762
2034 .....	176,000	67,230	243,230
2035 .....	184,500	59,228	243,728
2036 .....	188,000	50,835	238,835
2037 .....	201,000	42,177	243,177
2038 .....	137,500	34,756	172,256
2039 .....	143,000	28,729	171,729
2040 .....	143,000	22,452	165,452
2041 .....	148,500	16,179	164,679
2042 .....	154,000	9,657	163,657
2043 .....	45,000	2,784	47,784
2044 .....	45,000	928	45,928
<b>Totals .....</b>	<b><u>\$6,808,500</u></b>	<b><u>\$3,944,997</u></b>	<b><u>\$10,753,497</u></b>

1. Rounded to nearest dollar.

**Calculation of Estimated Overlapping and Underlying Indebtedness**

<u>Overlapping Units</u>	<u>Date of Report</u>	<u>Percentage Applicable</u>	<u>Applicable Total Indebtedness</u>	<u>Applicable Net Indebtedness</u>
Ulster County .....	10-19-09	9.35%	\$11,615,472	\$ 10,253,652
Kingston City SD .....	6-02-09	34.17	3,726,589	3,639,456
Saugerties CSD .....	6-30-08	3.18	920,348	62,459
Fire Districts (Est.) .....	12-31-09	100.00	<u>3,500,000</u>	<u>3,500,000</u>
<b>Totals .....</b>			<b><u>\$19,762,409</u></b>	<b><u>\$17,455,567</u></b>

Sources: Annual Reports of the respective units for the most recently completed fiscal year on file with and published by the Office of the State Comptroller, or more recently published Statements.

### Trend of Outstanding Indebtedness

	Fiscal Year Ending December 31:				
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Outstanding Debt:					
Subject to Debt Limit:					
Bonds .....	\$3,106,000	\$2,440,000	\$ 1,848,000	\$ 1,730,000	\$ 1,611,000
Bond Anticipation Notes .....	1,399,000	0	0	0	2,723,500
Other Notes.....	0	0	0	0	0
Sub-Total .....	<u>\$4,505,000</u>	<u>\$2,440,000</u>	<u>\$ 1,848,000</u>	<u>\$ 1,730,000</u>	<u>\$ 4,334,500</u>
Not Subject to Debt Limit:					
Bonds .....	\$3,934,500	\$5,257,500	\$ 5,802,800	\$ 5,409,500	\$ 5,197,500
Bond Anticipation Notes .....	1,100,000	1,187,000	124,000	115,000	106,000
Other Notes.....	0	0	0	0	0
Sub-Total .....	<u>\$5,034,500</u>	<u>\$6,444,500</u>	<u>\$ 5,926,800</u>	<u>\$ 5,524,500</u>	<u>\$ 5,303,500</u>
Total Debt Outstanding .....	<u>\$9,539,500</u>	<u>\$8,884,500</u>	<u>\$ 7,774,800</u>	<u>\$ 7,254,500</u>	<u>\$ 9,638,000</u>

### FINANCES OF THE TOWN

#### Financial Statements and Accounting Procedures

The Town maintains its financial records in accordance with the Uniform System of Accounts for Towns prescribed by the State Comptroller. The financial records of the Town are audited by independent accountants. The last such audit made available for public inspection covers the fiscal year ended December 31, 2007. In addition, the financial affairs of the Town are subject to periodic compliance review by the Office of the State Comptroller to ascertain whether the Town has complied with the requirements of various State and Federal statutes.

The Balance Sheets and Statements of Revenues, Expenditures and Changes in Fund Balances presented in Appendix A of this Statement are based on the audited Annual Financial Reports of the Town for the 2005-2007 fiscal years and the unaudited Annual Financial Report Update Document for the 2008 and 2009 fiscal years.

#### *Fund Structure and Accounts*

The Town utilizes fund accounting to record and report its various service activities. A fund represents both a legal and an accounting entity which segregates the transactions of specific programs in accordance with special regulations, restrictions or limitations.

There are three basic fund types: (1) governmental funds that are used to account for basic services and capital projects; (2) proprietary funds that account for operations of a commercial nature; and, (3) fiduciary funds that account for assets held in a trustee capacity. Account groups, which do not represent funds, are used to record fixed assets and long-term obligations that are not accounted for in a specific fund.

The Town presently maintains the following governmental funds: General Fund, Highway Funds, and the Capital Projects Fund. Fiduciary funds consist of a Trust and Agency Fund. There are no proprietary funds. Account groups are maintained for fixed assets and long-term debt.

#### *Basis of Accounting*

The Town's governmental funds are accounted for on a modified accrual basis of accounting. Under the modified accrual basis, revenues are recognized when they become susceptible to accrual - that is, when they become "measurable" and "available" to finance expenditures to the current period. Revenues which are susceptible to accrual include real property taxes, intergovernmental revenues (State and Federal aid) and operating transfers.

Expenditures are generally recognized under the modified accrual basis of accounting, that is when the related fund liability is incurred. Exceptions to this general rule are (1) payments to employee retirement systems which are recorded in the General Long-Term Debt Account Group and recognized as an expenditure when due, and, (2) unmatured interest on general long-term debt which is recognized when due.

## **Investment Policy**

Pursuant to the statutes of the State of New York, the Town is permitted to temporarily invest moneys which are not required for immediate expenditures, with the exception of moneys the investment of which is otherwise provided for by law, in the following investments: (1) special time deposit accounts in, or certificates of deposit issued by a bank or trust company located and authorized to do business in the State, provided however, that such time deposit account or certificate of deposit is payable within such time as the proceeds shall be needed to meet the expenditures for which such moneys were obtained and provided further that such time deposit account or certificate of deposit, in excess of the amount insured under the Federal Deposit Insurance Act, be secured by either a pledge of eligible securities, an eligible surety bond or an eligible letter of credit, as those terms are defined in the law; (2) obligations of the United States of America; (3) obligations guaranteed by agencies of the United States of America where the payment of principal and interest are guaranteed by the United States of America; (4) obligations of the State of New York; (5) with the approval of the New York State Comptroller in tax anticipation notes or revenue anticipation notes issued by any municipalities, school district, or district corporation, other than those notes issued by the Town; (6) certificates of participation issued by political subdivisions of the State, as those terms are defined in the law; (7) obligations of a New York public corporation which are made lawful investments for the Town pursuant to the enabling laws of such public corporation; or (8) in the case of moneys held in certain reserve funds established by the Town pursuant to law, in obligations of the Town. Any investments made by the Town pursuant to law are required to be payable or redeemable at the option of the Town within such times as the proceeds will be needed to meet expenditures for purposes for which the moneys were provided and, in the case of obligations purchased with the proceeds of bonds or notes, shall be payable or redeemable in any event, at the option of the Town, within two years of the date of purchase. These statutes also require that the Town's investments, unless registered or inscribed in the name of the Town, must be purchased through, delivered to and held in the custody of a bank or trust company in the State. All such investments held in the custody of a bank or trust company must be held pursuant to a written custodial agreement as that term is defined in the law. The Town is not presently investing in repurchase agreements.

Collateral is required for demand deposit, money market accounts and certificates of deposit not covered by Federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of New York State and its municipalities and school districts.

## **Budgetary Procedures**

The Town Board prepares a preliminary budget in the Fall of each year and holds a public hearing thereon. Subsequent to the budget hearing, revisions, if any, are made and the budget is then adopted by the Town Board as its final budget for the coming calendar year. The budget is not subject to voter approval.

## **Financial Operations**

The Supervisor functions as the chief fiscal officer as provided in Section 2 of the Local Finance Law; in this role, the Supervisor is responsible for the Town's accounting and financial reporting activities. In addition, the Supervisor is also the Town's budget officer and must therefore prepare the annual tentative budget for submission to the Town Board. Pursuant to Section 30 of the Local Finance Law, the Supervisor has been authorized to issue or renew certain specific types of notes. As required by law, the Supervisor must execute an authorizing certificate which then becomes a matter of public record.

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 such as operating and capital budgets and bonded debt.

Town finances are operated primarily through the General and Highway Funds. The General Fund receives revenue from County sales tax and State aid. Real property taxes and a significant portion of the other Town revenues are credited to the General and Highway Funds. Current operating expenditures are paid from these funds subject to available appropriations. The Town has established a water district, the construction of which is to be financed by the Notes. The primary sources of income for this district come from special assessments levied against district properties at the same time real estate taxes are levied. Capital projects and equipment purchases are accounted for in special capital projects funds. The Town observes a calendar year (January 1 through December 31) for operating and reporting purposes.

## **Revenues**

The Town receives most of its revenues from real property taxes and assessments. A summary of such revenues and other financing sources for the five most recently completed fiscal years may be found in Appendix A hereto.

## *Real Property Taxes*

See "Real Property Tax Information", herein.

## *State Aid*

The Town received approximately 5.14% of its total General Fund operating revenue from State aid in 2009. There is no assurance, however, that State appropriations for aid to municipalities will continue, either pursuant to existing formulas or in any form whatsoever. The State is not constitutionally obligated to maintain or continue such aid and, in fact, the State has drastically reduced funding to municipalities and school districts in the last several years in order to balance its own budget.

## **Expenditures**

The major categories of expenditure for the Town are General Government Support, Public Safety, Transportation, Culture and Recreation, Employee Benefits and Debt Service. A summary of the expenditures for the five most recently completed fiscal years and the estimated expenditures for the current fiscal year may be found in Appendix A - Financial Statements.

## **Employee Pension System**

Substantially all employees of the Town are members of the New York State and Local Employees' Retirement System ("ERS") or the New York State and Local Police and Fire Retirement System ("PFRS"; with ERS, the "Retirement Systems"). The ERS and PFRS together are generally also known as the "Common Retirement Fund". The Retirement Systems are cost-sharing multiple public employer retirement systems. The obligation of employers and employees to contribute and the benefit to employees are governed by the New York State Retirement System 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 ten years of credited service. The Retirement System Law generally provides that all participating employers in each retirement system 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 must contribute 3% of gross annual salary toward the cost of the retirement programs. Chapter 86 of the Laws of 2000 eliminated the 3% contribution for Tier 3 and Tier 4 members with 10 years of service credit. On December 10, 2009, the Governor signed into law a new Tier 5. The Law is effective for new ERS and TRS hires beginning on January 1, 2010. New ERS employees will now contribute 3% of their salaries and TRS employees will contribute 3.5%. There is no provision for these contributions to cease after a certain period of service.

Historically there has been a State mandate requiring full (100%) funding of the annual actuarially required local governmental contribution out of current budgetary appropriations. With the strong performance of the Retirement System in the 1990s, the locally required annual contribution declined to zero. However, with the subsequent decline in the equity markets, the pension system became underfunded. As a result, required contributions increased substantially to 15% to 20% of payroll for the employee's and the police and fire retirement systems, respectively. Wide swings in the contribution rate resulted in budgetary planning problems for many participating local governments.

With regard to the ERS, a Pension Reform Bill (Chapter 49 of the laws of 2003) was signed by the Governor into law in 2003. Chapter 49 changes the cycle of billing to match budget cycles of the Town. Under the previous method, the Town was unsure of how much they would pay to the system until after their budget was implemented. Under the new system the 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 so that the Town will be able to build the cost of the contribution into their budget. Chapter 49 requires the Town to make a minimum contribution of 4.5% of payroll every year, including years in which the investment performance of the fund would make a lower contribution possible.

On July 30, 2004, Governor Pataki signed into law Chapter 260 of the Laws of 2004 ("Chapter 260"). Chapter 260 contains three components which alter the way municipalities and school districts contribute to the state pension system: (1) revision of the payment due date, (2) extension of the period of time for pension debt amortization, and (3) authorization to establish a pension reserve fund. Prior to the effective date of the provisions of Chapter 260, the annual retirement bill sent to municipalities and school districts from the state has reflected pension payments due between April 1 and March 31, consistent with the state fiscal year.

Chapter 260 provides for the following changes:

- **Contribution Payment Date Change:** The law changes the date on which local pension contribution are due to the state. Effective immediately, the annual required contribution is due February 1 annually instead of December 15.
- **Pension Cost Amortization-Extension of Payout Period:** The law also extends the ability of municipalities and to amortize a portion of the current year pension cost over a period of 10 years, extending the term from five years as authorized under the 2003 Chapter 49 legislation. Municipalities can amortize, either directly through the state retirement system at a fixed interest rate annually determined by the state comptroller or through the capital markets, pension payments in excess of 7% of eligible payroll in 2005, 9.5% in 2006, and 10.5% in 2007.
- **Pension Contributions Reserve Fund:** The law creates special authorization to create a new category of reserve fund under the General Municipal Law. Municipalities and school districts may now establish a retirement contribution reserve fund that can be funded from other available current government resources.

The Town has paid its pension obligation in full for the fiscal year 2009.

The investment of monies, and assumptions underlying same, of the Retirement Systems covering the Town employees is not subject to the direction of the Town. Thus, it is not possible to predict, control or prepare for future unfunded accrued actuarial liabilities of the Retirement Systems ("UAALs"). The UAAL is the difference between total actuarially accrued liabilities and actuarially calculated assets available for the payment of such benefits. The UAAL is based on assumptions as to retirement age, mortality, projected salary increases attributed to inflation, across-the-board raises and merit raises, increases in retirement benefits, cost-of-living adjustments, valuation of current assets, investment return and other matters. Such UAALs could be substantial in the future, requiring significantly increased contributions from the Town which could affect other budgetary matters. Concerned investors should contact the Retirement Systems administrative staff for further information on the latest actuarial valuations of the Retirement Systems.

It should also be noted that the Town provides post-retirement healthcare benefits to various categories of former employees. These costs may be expected to rise substantially in the future.

**Payments to the Pension Systems**

2005 .....	347,810
2006 .....	560,090
2007 .....	609,345
2008 .....	531,737
2009 (Actual) .....	514,384

**Other Post Employment Benefits**

It should also be noted that the Town provides post-retirement healthcare benefits to various categories of former employees. These costs may be expected to rise substantially in the future. A recently enacted accounting rule, GASB Statement No. 45 ("GASB 45") of the Governmental Accounting Standards Board ("GASB"), requires, governmental entities, such as the Town, to account for post-retirement healthcare benefits with respect to vested pension benefits. Although GASB 45 encourages earlier adoption, implementation is required by the following dates, based on the size of government measured by annual revenue:

<b>Annual Revenue</b>	<b>Effective for Fiscal Year Ending After:</b>
Greater than \$100 million	December 15, 2006
Between \$10 million and \$100 million	December 15, 2007
Less than \$10 million	December 15, 2008

Since the implementation of Chapter 729 of the Laws of 1994, School Districts and Boards of Cooperative Education Services, unlike other municipal units of government in the State, have been prohibited from reducing retiree health benefits or increasing health care contributions received or paid by retirees below the level of benefits or contributions afforded to or required from active employees. This protection from unilateral reduction of benefits has been extended annually. Legislative attempts to provide similar protection to retirees of other local units of government in the State have not succeeded as of the date hereof. Nevertheless, many such retirees of all varieties of municipal units in the State do presently receive such benefits.

GASB 45 and OPEB. OPEB refers to "other post-employment benefits," meaning benefits other than pension benefits. OPEB consists primarily of health care benefits, and may include other benefits such as disability benefits and life insurance. Until now, 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.

GASB 45 requires municipalities and school districts to account for OPEB liabilities in the same manner as they already account for pension liabilities. It will require them to adopt the actuarial methodologies used for pensions, with adjustments for the different characteristics of OPEB and the fact that most municipalities and school districts have not set aside any funds against this liability. Unlike GASB 27, which covers accounting for pensions, GASB 45 does not require municipalities or school districts to report a net OPEB obligation at the start.

Under GASB 45, based on actuarial valuation, an annual required contribution ("ARC") will be determined for each municipality or school district. 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 or school district 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 liability actually be amortized nor that it be advance funded, only that the municipality or school district account for its unfunded accrued liability and compliance in meeting its ARC.

Actuarial valuation will be required every 2 years for OPEB plans with more than 200 members, every 3 years if there are less than 200 members.

The Town is in the process of selecting an actuarial firm to conduct the analysis of the unfunded liability.

## **REAL PROPERTY TAX INFORMATION**

### **Real Property Taxes**

The Town derives a significant portion of its annual revenue through a direct real property tax.

Tables presenting the tax levy, by purpose, collection performance and tax rates can be found in Appendix A.

### **Tax Collection Procedure**

Taxes are due and payable January 1, payable without penalty to and including January 31. Penalties thereafter are imposed at an annual rate determined by the new York State Commissioner of Taxation and Finance. In June, unpaid taxes are returned to the County Treasurer at which time an additional penalty is added and the total amount, plus additional fees is then payable to the County Treasurer.

The Town retains the total amount of Town, Highway and Special District levies from the total collections and returns the balance plus uncollected items to the County, which assumes responsibility.

As far as the Town is concerned there are no uncollected taxes. The full amount of the Town items is also guaranteed by the County.

**Selected Listing of Large Taxable Properties**  
2010 Tentative Assessment Roll

<u>Name</u>	<u>Type</u>	<u>Assessed Valuation</u>
P.C.K. Development Co. ....	Shopping Mall	\$ 66,000,000 <sup>2</sup>
Ulster Business Complex, LLC .....	Office/Manufacturing	26,400,000
Northeast Center For Special Care .....	Head Trauma Center	22,470,000
Central Hudson Gas & Elec. Co. ....	Utility & Franchise	22,117,485
Wal-Mart Plaza .....	Department Store	21,500,000
AG Properties of Kingston, LLC.....	Office/Manufacturing	21,475,000
Ulster Crossing .....	Strip Mall - Multi-Tenant	9,850,000
PCK 2 LLC .....	Target Department Store	9,362,500
Ulster Acquisitions I, LLC .....	Office Building	9,251,378
TechCity Properties .....	Office/Manufacturing	8,850,000
NYMED, Inc. ....	Nursing Home	8,025,000
Home Depot.....	Home Improvement Center	7,597,000
Lowe's .....	Home Improvement Center	7,500,000
Mal-King-Ulster Associates .....	Shopping Center	6,992,600
GBR, Ltd. ....	Shopping Center	6,663,900
Sam's Club .....	Warehouse Store	5,750,000
Shop Rite/Red Lobster .....	Grocery Store/Restaurant	6,625,700
Verizon .....	Utility	6,438,572
Home Properties .....	Apartment Complex	6,166,300
Hannaford.....	Grocery Store	5,750,000
Katrine Apartments Associates .....	Apartment Complex	4,800,000
Ulster Acquisitions II, LLC .....	Office Building	<u>1,950,000</u>
		<u>\$291,535,435<sup>3</sup></u>

1. The Town of Ulster's 2009-2010 assessment roll total.
2. PCK Development Corporation owners of the Hudson Valley Mall filed a certiorari petition for the assessment years 2003-2007. The owners of the regional shopping mall were seeking to reduce their property tax payments. The Town of Ulster and PCK have agreed on a settlement in which PCK assessments have been reduced for prior years and has been adjusted going forward. As a result of PCK's reduced assessments the Town has agreed to reimburse PCK in the amount of \$935,539 which is being funded by the Notes. The above assessment currently reflects the agreement between the Town and PCK.
3. The total taxable assessed values of the properties listed above represents 28.90% of the Towns 2010 taxable value of \$1,008,775,316.

**LITIGATION**

The Town is subject to a number of lawsuits in the ordinary conduct of its affairs. The Town does not believe, however, that such suits individually or in the aggregate, are likely to have a material adverse effect on the financial condition of the Town.

**RISK FACTORS  
AND  
MARKET FACTORS AFFECTING FINANCINGS OF THE STATE AND  
MUNICIPALITIES OF THE STATE**

The financial and economic condition of the Town, as well as the market for the Notes, could be affected by a variety of factors, some of which are beyond the Town's control. There can be no assurance that adverse events in the State and in other jurisdictions in the country, including, for example, the seeking by a municipality or large taxable property owner of remedies pursuant to the Federal Bankruptcy Code or otherwise, will not occur which might affect the market price of and the market for the Notes. If a significant default or other financial crisis should occur in the affairs of the State or another jurisdiction, or of any of their respective agencies or political subdivisions thereby further impairing the acceptability of obligations issued by borrowers within the State, both the ability of the Town to arrange for additional borrowings, and the market for and market value of outstanding debt obligations, including the Notes, could be adversely affected.

There are various other forms of risk associated with investing in the Notes. Although none of such risks currently exist with respect to the Town or the Notes, there can be no assurance that one or more of such events will not occur in the future. One such risk is that the Town will be unable to promptly pay interest and principal on the Notes as they become due (see "Remedies Upon Default", herein). If a Noteholder elects to sell his investment prior to its scheduled maturity date, market access or price risk may be incurred. The following is a discussion of certain events that could affect the risk of investing in the Notes. In addition, there may be other risk factors which a potential investor must consider. In order to make an informed investment decision, an investor should be thoroughly familiar with the entire Official Statement, including its appendices, as well as all areas of potential risk.

There are a number of factors which could have a detrimental effect on the ability of the Town to continue to generate revenues, particularly its property taxes. For instance, the termination of a major commercial enterprise or an unexpected increase in certiorari proceedings could result in a large reduction in the assessed valuation of taxable real property in the Town. Unforeseen developments could also result in substantial increases in Town expenditures, thus placing considerable strain on the Town's financial condition.

The Town is dependent in part on financial assistance from the State. However, if the State should experience difficulty in borrowing funds in anticipation of the receipt of State taxes and revenues in order to pay State aid to municipalities and school districts in the State, including the Town, in any year, the Town may be affected by a delay, until sufficient taxes have been received by the State to make State aid payments to the Town.

In several recent years, the Town has received delayed payments of State aid which resulted from the State's delay in adopting its budget and appropriating State aid to municipalities and school districts, and consequent delay in State borrowing to finance such appropriations. (See also "State Aid").

If and when a holder of any of the Notes should elect to sell a Note prior to its maturity, there can be no assurance that a market shall have been established, maintained and be in existence for the purchase and sale of any of the Notes. In addition, the price and principal value of the Notes is dependent on the prevailing level of interest rates; if interest rates rise, the price of a bond or note will decline, causing the bondholder or noteholder to incur a potential capital loss if such bond or note is sold prior to its maturity.

Amendments to U.S. Internal Revenue Code could reduce or eliminate the favorable tax treatment granted to municipal debt, including the Notes and other debt issued by the Town. Any such future legislation would have an adverse effect on the market value of the Notes (See "Tax Exemption" herein).

## **TAX MATTERS**

In the opinion of Orrick, Herrington & Sutcliffe LLP ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, compliance with certain covenants, interest on the Notes is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is excluded from adjusted gross income for purposes of personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York). Bond Counsel is of the further opinion that interest on the Notes is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, nor is it included in adjusted current earnings when calculating corporate alternative minimum taxable income. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix B hereto.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Notes. The Town has covenanted to comply with certain restrictions designed to insure that interest on the Notes will not be included in federal gross income. Failure to comply with these covenants may result in interest on the Notes being included in gross income for federal income tax purposes possibly from the date of original issuance of the Notes. The opinion of Bond Counsel assumes compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Notes may adversely affect the value of, or the tax status of interest on, the Notes. Further, no assurance can be given that pending or future legislation or amendments to the Code, if enacted into law, or any proposed legislation or amendments to the Code, will not adversely affect the value of, or the tax status of interest on, the Notes.

Certain requirements and procedures contained or referred to in the Arbitrage Certificate, and other relevant documents may be changed and certain actions (including, without limitation, economic defeasance of the Notes) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel expresses no opinion as to any Notes or the interest thereon if any such change occurs or action is taken or omitted.

Although Bond Counsel is of the opinion that interest on the Notes is excluded from gross income for federal income tax purposes and is exempt from income taxes imposed by the State of New York and its political subdivisions (including The City of New York), the ownership or disposition of, or the accrual or receipt of interest on, the Notes may otherwise affect a Owner's federal or state tax liability. The nature and extent of these other tax consequences will depend upon the particular tax status of the Owners or the Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such future legislative proposals, clarification of the Code or court decisions may also affect the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigations, as to which Bond Counsel expresses no opinion.

### **LEGAL MATTERS**

Legal matters incident to the authorization, issuance and sale of the Notes are subject to the approving legal opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel. Bond Counsel's opinion will be in substantially the form attached hereto as Appendix B.

### **RATING**

The Town has not applied for a rating for the Notes. Standard & Poor's currently rates the outstanding long-term debt of the Town an "A-". This rating reflects only the view of the rating agency furnishing the same, and an explanation of the significance of this rating may be obtained only from the rating agency. There is no assurance such rating will continue for any given period of time, or that such rating will not be revised or withdrawn by such rating agency, if in its judgment, circumstances so warrant. Any such action could have an adverse effect on the market for and market price of the Notes.

### **FINANCIAL ADVISOR**

Munistat Services, Inc. has acted as the financial advisor to the Town in connection with the sale of the Notes.

### **OTHER MATTERS**

The Town is in compliance with the procedure for the validation of the Notes provided in Title 6 of Article 2 of the Local Finance Law.

There is no bond or note principal or interest past due.

The fiscal year of the Town is January 1 to December 31.

This Official Statement does not include the financial data of any political subdivision of the State of New York having power to levy taxes within the Town, except as expressed in the "Calculation of Estimated Overlapping and Underlying Indebtedness."

## ADDITIONAL INFORMATION

Additional information may be obtained from the office of the Supervisor of the Town of Ulster, Town of Ulster Office Building, Town Hall Drive, Lake Katrine, New York, 12449, telephone number 845/382-2765, Email: [Supervisor@townofulster.org](mailto:Supervisor@townofulster.org) or from Munistat Services, Inc., 12 Roosevelt Avenue, Port Jefferson Station, New York 11776, telephone number 631/331-8888 and website: <http://www.munistat.com>.

So far as any statements made in this Official Statement involve matters of opinion or estimates, whether or not expressly stated, they are set forth as such and not as representations of fact, and no representation is made that any of such opinions or estimates will be realized. Neither this Official Statement nor any statement which may have been made orally or in writing with regard to the Notes is to be construed as a contract with the holders of the Notes.

Orrick, Herrington & Sutcliffe LLP expresses no opinion as to the accuracy or completeness of any documents prepared by or on behalf of the Town for use in connection with the offer and sale of the Notes, including this Official Statement.

The preparation and distribution of this Official Statement have been approved by the Supervisor pursuant to the power delegated to him by the authorizing note resolutions to sell and deliver the Notes.

This Official Statement has been duly executed and delivered by the Supervisor of the Town of Ulster.

James E. Quigley 3rd  
SUPERVISOR

April 19, 2010

**APPENDIX A**

**FINANCIAL INFORMATION**

## Tax Levy and Collection Record

Fiscal Year Ending December 31:

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
General Town Taxes	\$ 3,515,523	\$ 3,641,428	\$ 3,625,378	\$ 3,797,648	\$ 4,617,896	\$ 4,841,344
Highway Taxes	1,786,230	1,855,528	1,872,520	1,880,376	2,185,528	2,243,204
Special District Taxes	3,704,537	4,150,500	4,256,840	3,909,863	4,009,589	4,074,674
County Taxes	3,483,326	4,848,818	5,204,995	5,103,505	5,114,757	5,383,275
Returned Taxes	139,177	140,352	157,822	162,236	146,787	171,457
Relevied Items & Misc.	7,726	5,986	17,766	22,332	4,135	8,984
<b>Total Tax Levy</b>	<b>12,636,519</b>	<b>14,642,612</b>	<b>15,135,321</b>	<b>14,875,960</b>	<b>16,078,692</b>	<b>16,722,938</b>
Collected Prior to Return	12,622,737	14,563,840	14,977,500	14,713,724	15,931,905	16,551,481
Returned to County:						
Amount	\$ 13,782	\$ 78,772	\$ 157,821	\$ 162,236	\$ 146,787	\$ 171,457
Percent	0.11%	0.54%	1.04%	1.09%	0.91%	1.03%
Amount Due Town at End of Year of levy	None	None	None	None	None	None

## Tax Rates (Per \$1,000 Assessed Valuation)

Fiscal Year Ending December 31:

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
County	\$ 3.32	\$ 3.93	\$ 3.68	\$ 3.68	\$ 5.04	\$ 5.38
Town	3.68	3.69	3.60	3.73	4.52	4.79
Highway	1.83	1.88	1.86	1.84	2.13	2.22
Ulster Fire No. 5	0.98	1.05	1.16	1.23	1.33	1.35
Ulster Fire No. 5, Bond	0.20	0.19	0.18	0.18	0.17	0.16
Ruby Fire	2.01	2.01	2.18	2.23	2.22	2.19
East Kingston Fire Prot.	1.46	1.52	1.68	1.83	1.99	2.08
Eddyville Fire Prot.	1.88	1.98	2.06	2.14	2.27	2.44
Ulster Fire No.1	1.44	1.49	1.41	1.40	1.42	1.43
East Kingston Light	0.67	0.80	0.44	0.81	0.95	0.96
Albany Ave. Light	0.07	0.08	0.06	0.05	0.10	0.10
Whittier Light	0.20	0.24	0.16	0.27	0.29	0.29
Krauss Light	0.63	0.65	0.52	0.65	0.77	0.77
Elmen Hghts Light	0.16	0.24	0.11	0.25	0.31	0.30
Spring Lake Light	0.24	0.25	0.10	0.33	0.38	0.37
Ulster Sewer	1.38	1.36	1.31	1.30	1.30	1.28
Whittier Sewer	4.00	3.68	3.79	3.75	3.78	3.93
Washington Avenue Sewer	5.99	34.58	32.91	28.24	25.68	19.31
Ulster Water	0.59	0.88	1.02	1.04	0.96	1.01
Halcyon Park Water	213.93	282.90	282.28	273.45	269.11	284.29
Spring Lake Water	1.55	1.97	1.88	1.87	1.87	2.25
Ulster Library	0.21	0.22	0.23	0.24	0.24	0.24
Cherry Hill Water	3.30	3.86	3.71	3.72	3.80	3.80
Bright Acres Water	2.72	3.60	3.54	3.89	4.06	4.03
Glenerie Water	6.88	5.14	5.34	5.42	5.46	5.53
East Kingston Water District	2.76	12.90	6.09	6.61	9.38	9.91

**Statement of Revenues, Expenditures and Changes in Fund Balances**

**General Fund**

Fiscal Year Ending December 31:

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
<b>Revenues</b>					
Real Property Taxes	\$ 3,515,523	\$ 3,643,137	\$ 3,620,285	\$ 3,793,710	\$ 4,616,731
Sales Tax	238,443	240,776	232,623	227,958	201,687
Franchise Fees	200,069	207,841	229,669	238,019	240,384
Other Tax Items	29,564	59,582	56,191	37,260	42,665
Non-Property Tax Items	0	0	0	0	0
Departmental Income	369,878	495,728	413,819	382,388	401,759
Intergovernmental Charges	0	0	0	0	141,570
Use of Money & Property	127,133	220,833	238,945	95,757	22,681
Licenses & Permits	259,581	171,644	181,675	196,700	125,047
Fines & Forfeitures	416,518	357,167	437,508	427,479	390,637
Sale of Property/Insurance Recoveries	12,683	28,314	30,139	303,567	231,106
Miscellaneous & Local Sources	18,995	31,492	20,274	9,795	6,180
Interfund Revenues	0	0	0	10,437	1,700
State Aid	850,374	694,848	476,472	666,690	421,050
Federal Aid	455,638	49,871	15,132	3,367	333
Proceeds of Obligations	0	0	0	0	1,348,500
<b>Total Revenues</b>	<u>6,494,399</u>	<u>6,201,233</u>	<u>5,952,732</u>	<u>6,393,127</u>	<u>8,192,030</u>
<b>Expenditures</b>					
General Government Support	1,180,929	1,357,925	1,512,265	1,444,672	2,542,542
Education	16,271	11,434	12,926	7,518	10,186
Public Safety	2,136,159	2,662,427	2,701,653	2,662,762	2,652,537
Transportation	149,986	131,209	147,668	167,112	160,919
Economic Opportunity & Development	50,243	54,463	101,887	132,878	221,173
Culture & Recreation	152,508	154,905	215,968	643,898	205,988
Home & Community Services	873,896	424,940	434,631	360,871	386,992
Employee Benefits	1,188,833	1,391,825	1,548,734	1,637,650	1,684,893
Debt Service	81,750	77,250	0	0	0
Interfund Transfers	0	0	0	0	24,000
<b>Total Expenditures</b>	<u>5,830,575</u>	<u>6,266,378</u>	<u>6,675,732</u>	<u>7,057,361</u>	<u>7,889,230</u>
Excess of Revenues Over (Under)					
Expenditures	663,824	(65,145)	(723,000)	(664,234)	302,800
Residual Equity Transfers	0	0	0	0	0
Balance, Beginning of Year	2,105,651	2,769,475	2,704,330	1,981,330	1,317,096
Prior Period Adjustments (Net)	0	0	0	0	0
Balance, Beginning of Year (Restated)	<u>2,105,651</u>	<u>2,769,475</u>	<u>2,704,330</u>	<u>1,981,330</u>	<u>1,317,096</u>
<b>Balance, End of Year</b>	<u>\$ 2,769,475</u>	<u>\$ 2,704,330</u>	<u>\$ 1,981,330</u>	<u>\$ 1,317,096</u>	<u>\$ 1,619,896</u>

Source: Audited Annual Financial Reports of the Town (2005 - 2007) & Unaudited Annual Financial Report Update Document (2008 & 2009).  
 Note: This Schedule NOT audited

**Statement of Revenues, Expenditures and Changes in Fund Balances**

**Highway Fund**

	Fiscal Year Ending December 31:				
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
<b>Revenues</b>					
Real Property Taxes	\$ 1,786,230	\$ 1,855,527	\$ 1,872,522	\$ 1,880,378	\$ 2,185,524
Other Tax Items	12,741	11,904	11,629	12,904	14,807
Use of Money & Property	60,215	106,223	112,582	51,848	12,120
Licenses & Permits	0	0	50	10,100	100
Sale of Prop & Comp for Loss	6,669	9,509	8,421	21,336	20,435
Miscellaneous Sources	150	2,635	567	0	4,035
State Aid	84,045	195,064	96,226	117,452	117,493
Fed Aid	48,179	0	0	0	0
Interfund Transfers	24,495	10,932	33,502	0	0
<b>Total Revenues</b>	<u>2,022,724</u>	<u>2,191,794</u>	<u>2,135,499</u>	<u>2,094,018</u>	<u>2,354,514</u>
<b>Expenditures</b>					
General Government Support	0	67,400	20,228	17,349	13,986
Transportation	1,534,562	1,518,572	1,462,328	1,748,624	1,754,047
Employee Benefits	473,744	487,103	485,107	503,479	526,957
Debt Service	106,825	104,350	101,875	124,400	121,100
Miscellaneous Items	0	0	0	0	0
<b>Total Expenditures</b>	<u>2,115,131</u>	<u>2,177,425</u>	<u>2,069,538</u>	<u>2,393,852</u>	<u>2,416,090</u>
Balance, Beginning of Year	843,210	750,803	765,172	831,133	531,299
Prior Period Adjustments (Net)	0	0	0	0	0
Balance, Beginning of Year (Restated)	<u>843,210</u>	<u>750,803</u>	<u>765,172</u>	<u>831,133</u>	<u>531,299</u>
<b>Balance, End of Year</b>	<u>\$ 750,803</u>	<u>\$ 765,172</u>	<u>\$ 831,133</u>	<u>\$ 531,299</u>	<u>\$ 469,723</u>

Source: Unaudited Annual Financial Reports Update Document of the Town (2008 & 2009) & Audited Annual Financial Reports of the Town (2005, 2006 & 2007).

**Statement of Revenues, Expenditures and Changes in Fund Balances**

**Sewer Fund**

	Fiscal Year Ending December 31:				
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
<b>Revenues</b>					
Real Property Taxes	\$ 900,768	\$ 1,015,824	\$ 998,252	\$ 1,002,023	\$ 1,000,065
Other Tax Items	31,949	31,469	30,311	30,013	29,998
Departmental Income	389,055	400,378	383,593	382,883	398,361
Intergovernmental Charges	0	0	0	0	0
Use of Money & Property	75,989	88,881	103,331	49,009	12,406
Sale of Prop & Comp for Loss	3,446	1,747	2,316	0	0
Miscellaneous Sources	25,989	7,684	528	65	88
Interfund Revenues	0	0	0	0	0
State Aid	0	0	0	0	0
Federal Aid	92,359	57,248	169,395	0	0
Interfund Transfers	0	0	0	0	0
<b>Total Revenues</b>	<u>1,519,555</u>	<u>1,603,231</u>	<u>1,687,726</u>	<u>1,463,993</u>	<u>1,440,918</u>
<b>Expenditures</b>					
General Government Support	0	0	94,533	92,339	100,979
Home & Community Service	921,859	1,201,266	941,596	828,871	1,040,738
Employee Benefits	192,225	189,161	190,988	205,406	223,110
Debt Service	335,320	370,280	220,718	187,533	184,237
Miscellaneous items	0	0	0	0	0
Transfers to Capital Projects Fund	0	60,000	0	0	8,641
<b>Total Expenditures</b>	<u>1,449,404</u>	<u>1,820,707</u>	<u>1,447,835</u>	<u>1,314,149</u>	<u>1,557,705</u>
Balance, Beginning of Year	1,430,951	1,501,102	1,256,245	1,496,136	1,645,979
Prior Period Adjustments (Net)	0	(27,381)	0	0	17,973
Balance, Beginning of Year (Restated)	<u>1,430,951</u>	<u>1,473,721</u>	<u>1,256,245</u>	<u>1,496,136</u>	<u>1,663,952</u>
<b>Balance, End of Year</b>	<u>\$ 1,501,102</u>	<u>\$ 1,256,245</u>	<u>\$ 1,496,136</u>	<u>\$ 1,645,980</u>	<u>\$ 1,547,165</u>

Source: Unaudited Annual Financial Reports Update Document of the Town (2008 & 2009) & Audited Annual Fincial Reports of the Town (2005, 2006 & 2007).

**Statement of Revenues, Expenditures and Changes in Fund Balances**

**Water Fund**

	Fiscal Year Ending December 31:				
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
<b>Revenues</b>					
Real Property Taxes	\$ 711,221	\$ 959,565	\$ 1,001,632	\$ 1,035,654	\$ 1,019,081
Other Tax Items	13,820	20,508	23,694	24,022	22,238
Departmental Income	785,339	793,585	889,621	873,571	896,077
Use of Money & Property	48,599	72,388	57,125	30,101	7,012
Sale of Prop & Comp for Loss	6,630	4,398	3,424	2,076	2,507
Miscellaneous Sources	3,038	8,803	2,083	65	3,373
State Aid	23,861	0	0	0	0
Interfund Revenues	0	0	26,000	20,000	0
<b>Total Revenues</b>	<u>1,592,508</u>	<u>1,859,247</u>	<u>2,003,579</u>	<u>1,985,489</u>	<u>1,950,288</u>
<b>Expenditures</b>					
General Government Support	0	0	98,493	88,910	102,554
Home & Community Service	874,245	1,037,112	1,037,176	1,148,208	1,269,010
Employee Benefits	165,623	171,628	182,401	175,251	189,273
Debt Service	470,601	558,558	652,484	537,266	333,634
Interfund Transfers & Other Items	0	43,263	16,990	0	0
<b>Total Expenditures</b>	<u>1,510,469</u>	<u>1,810,561</u>	<u>1,987,544</u>	<u>1,949,635</u>	<u>1,894,471</u>
Balance, Beginning of Year	564,664	646,703	695,389	711,424	747,278
Prior Period Adjustments (Net)	0	0	0	0	0
Balance, Beginning of Year (Restated)	<u>564,664</u>	<u>646,703</u>	<u>695,389</u>	<u>711,424</u>	<u>747,278</u>
<b>Balance, End of Year</b>	<u>\$ 646,703</u>	<u>\$ 695,389</u>	<u>\$ 711,424</u>	<u>\$ 747,278</u>	<u>\$ 803,095</u>

Source: Unaudited Annual Financial Reports Update Document of the Town (2008 & 2009) & Audited Annual Fincial Reports of the Town (2005, 2006 & 2007).

**Balance Sheets**

**Fiscal Year Ending December 31, 2009**

	<u>General</u> <u>Fund</u>	<u>Highway</u> <u>Fund</u>	<u>Ulster</u> <u>Sewer</u> <u>Fund</u>	<u>Ulster</u> <u>Water</u> <u>Fund</u>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 348,266	\$ 674,510	\$ 1,353,316	\$ 549,030
Accounts Receivable	248,175	8,491	112,475	246,129
State & Federal Aid Recievables (net)	13,060	87,551	0	0
Due From Other Funds	397	856,444	0	19,805
Due From Other Governments	119,635	0	0	0
Cash - Restricted	<u>1,249,726</u>	<u>173,794</u>	<u>243,573</u>	<u>65,980</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>1,979,259</u></b>	<b>\$ <u>1,800,790</u></b>	<b>\$ <u>1,709,364</u></b>	<b>\$ <u>880,944</u></b>
<b>LIABILITES AND FUND EQUITY</b>				
Accounts Payable	\$ 185,583	\$ 36,067	\$ 102,200	\$ 17,849
Accrued Liabilities	120,000	120,000	60,000	60,000
Due to Other Funds	0	1,175,000	0	0
Matured Bonds & Interest Payable	0	0	0	0
Deferred Revenues	0	0	0	0
Due to Other Governments	<u>53,780</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Total Liabilities</b>	<b><u>359,363</u></b>	<b><u>1,331,067</u></b>	<b><u>162,200</u></b>	<b><u>77,849</u></b>
<b>Fund Balances:</b>				
<b>Restricted for:</b>				
Debt Service	0	18,813	31,701	19,805
Other	0	41,833	0	0
<b>Reserved for:</b>				
Repairs	0	0	177,593	0
Capital Expenditures	1,330,476	11,961	5,980	5,980
<b>Unreserved, Designated for:</b>				
Future Expenditures	150,000	54,035	0	58,064
<b>Unreserved, Undesignated, Reported In:</b>				
General Fund	139,420	0	171,701	0
Special Revenue Fund	<u>0</u>	<u>343,081</u>	<u>1,160,190</u>	<u>719,246</u>
<b>Total Fund Equity</b>	<b><u>1,619,896</u></b>	<b><u>469,723</u></b>	<b><u>1,547,165</u></b>	<b><u>803,095</u></b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ <u>1,979,259</u></b>	<b>\$ <u>1,800,790</u></b>	<b>\$ <u>1,709,365</u></b>	<b>\$ <u>880,944</u></b>

Source: Unaudited Annual Financial Report Update Document of the Town.

## Budget Summaries

### Fiscal Year 2010

	<u>General Fund</u>	<u>Highway Fund</u>	<u>Ulster Sewer Fund</u>	<u>Ulster Water Fund</u>
Revenues				
Appropriated Fund Balance	\$ 150,000	\$ 54,035	\$ 140,000	\$ 58,064
Appropriated Reserve	110,000	0	31,701	0
Real Property Taxes	4,839,888	2,243,207	997,166	1,096,331
Real Property Tax Items	43,000	13,000	0	0
Non-Property Tax Items	440,000	0	0	0
Departmental Income	371,000	0	388,325	885,450
Intergovernmental Charges	120,000	0	0	0
Use of Money and Property	25,000	15,000	10,700	7,700
Licenses and Permits	116,500	300	0	0
Fines and Forfeitures	441,000	0	0	0
Sale of Prop & Comp for Loss	15,000	135,000	0	0
State Aid	362,564	117,000	0	0
	<u>7,033,952</u>	<u>2,577,542</u>	<u>1,567,892</u>	<u>2,047,545</u>
Total Revenues	\$ <u>7,033,952</u>	\$ <u>2,577,542</u>	\$ <u>1,567,892</u>	\$ <u>2,047,545</u>
Expenditures				
General Government Support	\$ 1,460,697	\$ 13,986	\$ 129,590	\$ 107,685
Public Safety	2,770,605	0	0	0
Transportation	151,500	1,791,465	0	0
Econ Assist & Opportunity	181,750	0	0	0
Culture & Recreation	186,250	0	0	0
Home & Community Services	313,725	0	983,309	1,386,004
Employee Benefits	1,949,728	627,500	271,200	224,170
Debt Service	19,697	144,591	183,793	329,686
Interfund Transfers	0	0	0	0
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenditures	\$ <u>7,033,952</u>	\$ <u>2,577,542</u>	\$ <u>1,567,892</u>	\$ <u>2,047,545</u>

**APPENDIX B**

**FORM OF BOND COUNSEL'S OPINION**

# DRAFT

May 5, 2010

Town of Ulster  
Ulster County,  
State of New York

Re: Town of Ulster, Ulster County, New York  
\$1,166,371 Bond Anticipation Notes, 2010

Ladies and Gentlemen:

We have been requested to render our opinion as to the validity of \$1,166,371 Bond Anticipation Notes, 2010 (the "Obligation"), of the Town of Ulster, Ulster County, New York (the "Obligor"), dated May 5, 2010 numbered , of the denomination of \$\_\_\_\_\_, bearing interest at the rate of \_\_\_\_\_% per annum, payable at maturity, and maturing May 5, 2011.

We have examined:

- (1) the Constitution and statutes of the State of New York;
- (2) the Internal Revenue Code of 1986, including particularly Sections 103 and 141 through 150 thereof, and the applicable regulations of the United States Treasury Department promulgated thereunder (collectively, the "Code");
- (3) an arbitrage certificate executed on behalf of the Obligor which includes, among other things, covenants, relating to compliance with the Code, with the owners of the Obligation that the Obligor will, among other things, (i) take all actions on its part necessary to cause interest on the Obligation not to be includable in the gross income of the owners thereof for Federal income tax purposes, including, without limitation, restricting, to the extent necessary, the yield on investments made with the proceeds of the Obligation and investment earnings thereon, making required payments to the Federal government, if any, and maintaining books and records in a specified manner, where appropriate, and (ii) refrain from taking any action which would cause interest on the Obligation to be includable in the gross income of the owners thereof for Federal income tax purposes, including, without limitation, refraining from spending the proceeds of the Obligation and investment earnings thereon on certain specified purposes (the "Arbitrage Certificate"); and
- (4) a certificate executed on behalf of the Obligor which includes, among other things, a statement that compliance with such covenants is not prohibited by, or violative of, any provision of local or special law, regulation or resolution applicable to the Obligor.

We also have examined a certified copy of proceedings of the finance board of the Obligor and other proofs authorizing and relating to the issuance of the Obligations, including the form of the Obligations. In rendering the opinions expressed herein we have assumed the accuracy and truthfulness of all public records, documents and proceedings, including factual information, expectations and statements contained therein, examined by us which have been executed or certified by public officials acting within the scope of their official capacities, and have not verified the accuracy or truthfulness thereof. We also have assumed the genuineness of the signatures appearing upon such public records, documents and proceedings and the certifications thereof.

In our opinion:

- (a) The Obligations has been authorized and issued in accordance with the Constitution and statutes of the State of New York and constitutes a valid and legally binding general obligation of the Obligor, all the taxable real property within which is subject to the levy of ad valorem taxes to pay the Obligations and interest thereon, without limitation as to rate or amount; provided, however, that the enforceability (but not the validity) of the Obligation: (i) may be limited by any applicable bankruptcy, insolvency or other law now existing or hereafter enacted by said State or the Federal government affecting the enforcement of creditors' rights, and (ii) may be subject to the exercise of judicial discretion in appropriate cases.
- (b) The Obligor has the power to comply with its covenants with respect to compliance with the Code as such covenants relate to the Obligation; provided, however, that the enforceability (but not the validity) of such covenants may be limited by any applicable bankruptcy, insolvency or other law now existing or hereafter enacted by said State or the Federal government affecting the enforcement of creditors' rights.
- (c) Interest on the Obligations is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, and is exempt from personal income taxes imposed by the State of New York and any political subdivision thereof (including The City of New York). Interest on the Obligations is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, nor is it included in adjusted current earnings in calculating corporate alternative minimum taxable income. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Obligations.

Certain agreements, requirements and procedures contained or referred to in the Arbitrage Certificate and other relevant documents may be changed and certain actions (including, without limitation, economic defeasance of the Obligations) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be

affected by actions taken or omitted or events occurring after the date thereof. Accordingly, this opinion is not intended to, and may not, be relied upon in connection with any such actions, events or matters. Our engagement with respect to the Obligations has concluded with their issuance, and we disclaim any obligation to update this opinion. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents. Furthermore, we have assumed compliance with all covenants and agreements contained in the Arbitrage Certificate, including without limitation covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Obligations to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Obligations and the Arbitrage Certificate and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium or other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against municipal corporations such as the Obligor in the State of New York. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, or waiver provisions contained in the foregoing documents.

The scope of our engagement in relation to the issuance of the Obligations has extended solely to the examination of the facts and law incident to rendering the opinions expressed herein. Such opinions are not intended and should not be construed to express or imply any conclusion that the amount of revenues or moneys of the Obligor legally available will be sufficient to enable the Obligor to pay the principal of or interest on the Obligations as the same respectively become due and payable. Reference should be made to the Official Statement prepared by the Obligor in relation to the Obligations for factual information which, in the judgment of the Obligor, could materially affect the ability of the Obligor to pay such principal and interest. While we have participated in the preparation of such Official Statement, we have not verified the accuracy, completeness or fairness of the factual information contained therein and, accordingly, we express no opinion as to whether the Obligor, in connection with the sale of the Obligations, has made any untrue statement of a material fact or omitted to state a material fact necessary in order to make any statements made, in the light of the circumstances under which they were made, not misleading.

Very truly yours,

/zmt