

PRELIMINARY OFFICIAL STATEMENT DATED MARCH 21, 2019

**REFUNDING ISSUE
BOOK-ENTRY-ONLY BONDS**

**RATING: SEE "RATING" HEREIN
SERIAL BONDS**

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 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 under the Code. In addition, in the opinion of Bond Counsel to the Town, 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. See "TAX MATTERS" herein.

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

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

\$5,675,000*
REFUNDING SERIAL BONDS – 2019
(the "Bonds")

Dated Date: Date of Delivery

Maturity Dates: June 1, 2019-2024

The Bonds 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 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 June 1, 2019, December 1, 2019 and semiannually thereafter in each year until maturity. The Bonds shall mature on June 1 in each year in the principal amounts specified on the inside cover page hereof. The Bonds are not subject to optional redemption prior to maturity.

The Bonds will be issued as fully registered bonds and, when issued, will be registered in the name of Cede & Co., as nominee of DTC. DTC will act as securities depository for the Bonds. Individual purchases of the Bonds may be made in book-entry form only, in the principal amount of \$5,000 and integral multiples thereof. Purchasers will not receive certificates representing their interest in the Bonds. Payment of the principal of and interest on the Bonds 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 the Bonds as described herein. (See "Book-Entry-Only System" herein.)

The Bonds are offered when, as and if issued and received by the purchasers and subject to the receipt of the final approving opinion 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. It is anticipated that the Bonds will be available for delivery through the offices of DTC on or about April 11, 2019.

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 AS DESCRIBED IN THE RULE, SEE "DISCLOSURE UNDERTAKING" HEREIN.

Dated: April __, 2019

* 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 June 1 in the following years and principal amounts:

<u>Year</u>	<u>Principal Amount*</u>	<u>Coupon</u>	<u>Yield</u>	<u>Year</u>	<u>Principal Amount*</u>	<u>Coupon</u>	<u>Yield</u>
2019	\$ 10,000			2022	\$1,135,000		
2020	1,015,000			2023	1,190,000		
2021	1,070,000			2024	1,255,000		

* 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

PETER VAN SCOYOC
Supervisor

Sylvia Overby Deputy Supervisor
Jeffrey L. Bragman Councilwoman
Kathee Burke-Gonzalez Councilwoman
David Lys 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, 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 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

\$5,675,000*

REFUNDING SERIAL BONDS – 2019

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 \$5,675,000* Refunding Serial Bonds – 2019 (the “Bonds”).

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 proceedings of the Town relating thereto are qualified in their entirety by reference to the definitive form of the Bonds 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 June 1, 2019, December 1, 2019 and semiannually thereafter in each year until maturity. The Bonds shall mature on June 1 in each year in the principal amounts specified on the inside cover page hereof. The Bonds are not subject to optional redemption prior to maturity.

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

Authorization and the Refunding Plan for the Bonds

The Bonds are issued pursuant to the Constitution and Laws of the State, including among others, the Town Law, the General Municipal Law and the Local Finance Law, and the refunding bond resolution duly adopted by the Town Board on February 21, 2019 (the “Refunding Bond Resolution”). A refunding financial plan has been prepared and is described below (the “Refunding Plan”).

The Bonds are being issued to refund up to \$4,960,000 outstanding principal of the Town’s Various Purposes Serial Bonds – 2010 Series B, which mature in the years 2020 to 2024, inclusive (the “Refunded 2010 Bonds”) and up to \$1,045,000 outstanding principal of the Town’s Various Purposes Serial Bonds – 2011 Series B, which mature in the years 2020 to 2024, inclusive (the “Refunded 2011 Bonds” and together with the Refunded 2010 Bonds, the “Refunded Bonds”). The Refunded 2010 Bonds were issued in the original principal amount of \$12,049,784. The Refunded 2011 Bonds were issued in the original principal amount of \$2,366,200. Under the Refunding Plan, the Refunded Bonds are to be called and redeemed on June 1, 2019. The net proceeds of the Bonds (after payment of the underwriting fee and other costs of issuance relating to the Bonds), together with \$12,203.37 in available funds, will be used to purchase non-callable, direct obligations of or obligations guaranteed by the United States of America (the “Government Obligations”) which, together with remaining cash proceeds from the sale of the Bonds, will be placed in an irrevocable trust fund (the “Escrow Fund”) to be held by Manufacturers and Traders Trust Company, (the “Escrow Holder”), a bank located and authorized to do business in the State, pursuant to the terms of an escrow contract by and between the Town and the Escrow

* Preliminary, subject to change.

Holder, dated as of the delivery date of the Series A Bonds (the “Escrow Contract”). The Government Obligations so deposited will mature in amounts which, together with the cash so deposited, will be sufficient to pay the principal of and interest on the Refunded Bonds on the date of their redemption. The Refunding Plan requires the Escrow Holder, pursuant to the Refunding Bond Resolution of the Town and the Escrow Contract, to pay the redemption price of the Refunded Bonds on the earliest date on which the Refunded Bonds may be called for redemption prior to maturity.

The holders of the Refunded Bonds will have a first lien on all investment income from, and maturing principal of the Government Obligations, along with other available monies held in the Escrow Fund. The Escrow Contract shall terminate upon final payment by the Escrow Holder to the paying agents/fiscal agent for the Refunded Bonds amounts from the Escrow Fund adequate for the payment, in full, of the Refunded Bonds, including interest payable with respect thereto.

The Refunding Plan will permit the Town to realize, as a result of the issuance of the Bonds, cumulative dollar and present value debt service savings.

Under the Refunding Plan, the Refunded Bonds will continue to be general obligation bonds of the Town. However, inasmuch as the Government Obligations held in the Escrow Fund will be sufficient to meet all required payments of principal and interest requirements when required in accordance with the Refunding Plan, it is not anticipated that any other source of payment will be required.

Refunded 2010 Bonds:

<u>Maturity Date</u>	<u>Principal*</u>	<u>Interest Rate</u>	<u>Redemption Date/Price*</u>	<u>CUSIP</u>
June 1, 2020	\$ 920,000	3.000%	June 1, 2019 @ 100%	272731D31
June 1, 2021	955,000	3.000	June 1, 2019 @ 100%	272731D49
June 1, 2022	990,000	3.125	June 1, 2019 @ 100%	272731D56
June 1, 2023	1,025,000	3.250	June 1, 2019 @ 100%	272731D64
June 1, 2024	<u>1,070,000</u>	3.250	June 1, 2019 @ 100%	272731D72
Total:	<u>\$4,960,000</u>			

Refunded 2011 Bonds:

<u>Maturity Date</u>	<u>Principal*</u>	<u>Interest Rate</u>	<u>Redemption Date/Price*</u>	<u>CUSIP</u>
June 1, 2020	\$ 195,000	3.500%	June 1, 2019 @ 100%	272731F39
June 1, 2021	200,000	4.000	June 1, 2019 @ 100%	272731F47
June 1, 2022	210,000	4.000	June 1, 2019 @ 100%	272731F54
June 1, 2023	215,000	4.000	June 1, 2019 @ 100%	272731F62
June 1, 2024	<u>225,000</u>	4.000	June 1, 2019 @ 100%	272731F70
Total:	<u>\$1,045,000</u>			

* Preliminary, subject to change.

Sources and Uses of Proceeds

Sources:

Par Amount
Net Original Issue Premium

Total:

Uses:

Refunding Escrow Deposit
Costs of Issuance and Contingency
Underwriter's Discount

Total:

Verification of Mathematical Computations

Causey Demgen and Moore P.C. will verify from the information provided to them, the mathematical accuracy, as of the date of the closing of the Bonds, of: the computations contained in the provided schedules to determine that the anticipated receipts from the Government Obligations and cash deposits listed in the underwriter's schedules, to be held in escrow, will be sufficient to pay, when due, the principal of and interest on the Refunded Bonds. Causey Demgen and Moore P.C. will express no opinion on the assumptions provided to them, nor as to the exclusion from taxation of the interest on the Bonds.

Optional Redemption

The Bonds are not subject to redemption prior to maturity.

Nature of Obligation

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

The Bonds 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, 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 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, nor the proceedings with respect thereto, specifically provide any remedies which would be available to owners of the Bonds should the Town default in the payment of principal of or interest on the Bonds, nor do they contain any provisions for the appointment of a trustee to enforce the interests of the owners of the Bonds upon the occurrence of any such default. The Bonds 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 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, the owners of such Bonds 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 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 proceedings with respect thereto all of which are included in the contract with the owners of the Bonds. 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 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 Bondholders, 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*, 40 N.Y.2d 1088 (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. 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 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 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 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.

DESCRIPTION OF BOOK-ENTRY SYSTEM

The Depository Trust Company (“DTC”) will act as securities depository for the Bonds. The Bonds will be issued as fully-registered bonds 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.

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

To facilitate subsequent transfers, all Bonds 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 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; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds 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 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 are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds 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 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 FACTORS AFFECTING FINANCINGS OF THE STATE AND MUNICIPALITIES OF THE STATE

There are certain potential risks associated with an investment in the Bonds, 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.

If and when an owner of any of the Bonds should elect to sell all or a part of the Bonds 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. The market value of the Bonds is dependent upon the ability of holder to potentially incur a capital loss if such Bonds 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. 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, 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, for income taxation purposes could have an adverse effect on the market value of 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. (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.

CYBERSECURITY

The Town, like many other public and private entities, relies on technology to conduct its operations. As a recipient and provider of personal, private, or sensitive information, the Town faces multiple cyber threats including, but not limited to, hacking, viruses, malware and other attacks on computer and other sensitive digital networks and systems. To mitigate the risk of business operations impact and/or damage from cyber incidents or cyber-attacks, the Town invests in various forms of cybersecurity and operational controls; however, no assurances can be given that such security and operational control measures will be completely successful to guard against cyber threats and attacks. The results of any such attack could impact business operations and/or damage Town digital networks and systems and the costs of remedying any such damage could be substantial.

LITIGATION

The Town is a defendant in a matter originally captioned *Thomas Cangemi et al. v. The United States of America, the U.S. Army Corps of Engineers, Col. John R. Boule II, The Town of East Hampton, William J. Wilkinson, County of Suffolk, State of New York, Joe Martens, Commissioner of the New York State Department of Environmental Conservation, and Cesar A. Peralies, Secretary of the New York State Department of State*. This lawsuit seeks to hold the Town responsible for damages to eleven properties owned by the Plaintiffs, as well as for damage to various public areas west of the Lake Montauk Harbor jetties. The case asserted that the jetties, which were constructed before the Town acquired the property in the early 1940s, are responsible for erosion along the western shoreline. Plaintiffs have sought both monetary damages for specific injury to their properties, and injunctive relief to force the Town to remediate the entire western shoreline with an infusion of sand. The Town largely succeeded on an early motion to dismiss, which eliminated all the Federal claims and some state claims, but left remaining claims for private nuisance, public nuisance, and trespass against the Town, and the court denied the Town's motion for summary judgment on those remaining claims. All other defendants were dismissed from the case. The jury rendered a verdict against the Town on June 29, 2018 for \$355,961.27, representing out of pocket expenses for damages to seven of the properties but found in favor of the Town on the public nuisance claim. The Town then made a post-trial motion to set aside the verdict. The Court granted the Town's motions in their entirety and judgment is expected to be entered shortly. The Court reversed its prior decisions on the Town's motions to dismiss, motion for summary judgment, motions *in limine* and evidentiary arguments, finding the Town is not responsible for fixing a problem it did not cause, approve or exacerbate. The Court also granted the Town's motion for a new trial. Should the Court's decision be vacated or overturned upon appeal, the matter will be re-tried. While the town anticipates that the Plaintiffs may appeal their loss, the Town is in a much stronger position to prevail upon appeal in view of the Court's decision on the Town's motions resulting in a complete dismissal of all claims.

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 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 under the Code. The Tax Certificate of the Town (the “Tax Certificate”), which will be delivered concurrently with the delivery of the Bonds, 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 Bonds, 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 Bonds 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 Bonds 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 as to any other federal, state or local tax consequences arising with respect to the Bonds, or the ownership or disposition thereof, except as stated above. 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 to reflect any action thereafter taken or not taken, any fact or circumstance that may thereafter come to its attention, any change in law or interpretation thereof that may thereafter occur, or for any other reason. Bond Counsel expresses no opinion as to the consequence of any of the events described in the preceding sentence or the likelihood of their occurrence. In addition, Bond Counsel expresses no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel regarding federal, state or local tax matters, including, without limitation, exclusion from gross income for federal income tax purposes of interest on the Bonds.

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 Bonds in order that interest on such Bonds 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 Bonds, 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 Bonds 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 Bonds 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 Bonds. It does not purport to address all aspects of federal taxation that may be relevant to a particular owner of a Bond. 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 Bonds.

Prospective owners of the Bonds 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 Bonds 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 Bond (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 (a bond with the same maturity date, interest rate, and credit terms) means the first price at which at least 10 percent of such maturity was sold to the public, i.e., a purchaser who is not, directly or indirectly, a signatory to a written contract to participate in the initial sale of the Bonds. In general, the issue price for each maturity of the Bonds 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 Bond having OID (a “Discount Bond”), OID that has accrued and is properly allocable to the owners of the Discount Bond 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 Bonds.

In general, under Section 1288 of the Code, OID on a Discount Bond 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 Bond. An owner’s adjusted basis in a Discount Bond is increased by accrued OID for purposes of determining gain or loss on sale, exchange, or other disposition of such Discount Bond. 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 Bond even though there will not be a corresponding cash payment.

Owners of Discount Bonds 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 Bonds.

Bond Premium

In general, if an owner acquires an 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 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 obligation (a “Premium Bond”). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium Bond, based on the owner’s yield over the remaining term of the Premium Bond, determined based on constant yield principles (in certain cases involving a Premium Bond 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 Bond). An owner of a Premium Bond 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 Bond, 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 Bond may realize a taxable gain upon disposition of the Premium Bond 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 Bonds 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 Bonds.

Information Reporting and Backup Withholding

Information reporting requirements will apply to interest on tax-exempt obligations, including the Bonds. 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 Bond 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 Bonds 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 Bonds under federal or state law or otherwise prevent beneficial owners of the Bonds 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 Bonds.

Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the Bonds are subject to the approving legal opinion of Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel. The opinion of Bond Counsel will be in substantially the form attached hereto in Appendix D.

DISCLOSURE UNDERTAKING

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 E.

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.

RATING

The Town has applied to Moody’s Investors Service, Inc. (“Moody’s”) for a rating on the Bonds.

On August 14, 2017, Moody’s upgraded the Town’s long-term, uninsured credit rating from ‘Aa1’ to ‘Aaa’ with a stable outlook.

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 availability of a secondary market for the Bonds.

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.

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. The Town Clerk, Carole A. Brennan, (631) 324-4142, cbrennan@ehamptonny.gov 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.

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 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: _____
Peter Van Scoyoc
Supervisor

DATED: April __, 2019

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 and Improvement Areas. Town-operated Special Districts and Improvement Areas are managed and operated by the Town Board.

Employees

The Town provides services through approximately 329 full-time as well as additional part-time employees. The Civil Service Employees Association (the "CSEA") represents 200 employees, the East Hampton Police Benevolent Association (the "PBA") represents 67 employees and 13 dispatchers are represented by their own union. The CSEA contract expired on December 31, 2018 and is currently in negotiations. 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, 2016, 2017 and 2018.

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 program.

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, 2017, the Town’s ARC was \$10,040,000. 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. Since NYSHIP was implemented, health care expenditures have not exceeded budgetary appropriations. The Town’s 2019 Adopted Budget appropriates \$10.96 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 2019.

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 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.

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

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.

The Town took several steps to address the financial difficulties that it faced including the issuance of deficit bonds pursuant to Special State legislation to fund the accumulated deficits in the General Fund which totaled \$27,257,902, developing and adopting conservative budgets which resulted in positive operating results, changing from self-insured health insurance to the Empire Plan, adopting property tax increases and retaining new auditors and instituting various new internal controls.

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.

For the fiscal year ended December 31, 2010, operating surpluses realized by the Town were 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.)

Since 2011, the Town has realized operating surpluses in the General Fund, which have added to the positive cumulative fund balance in the General Fund.

Deficit Financing

Pursuant to Special State Legislation enacted on behalf of the Town, the Town issued bonds in the amount of \$22,230,000 to partially liquidate accumulated deficits in the Town's General Fund in the amount of \$27,257,902. The balance of such accumulated deficit was reduced as a result of positive operating results for fiscal year 2010. As of the date hereof, \$2,500,000 of such bonds remain outstanding. The final maturity date of such bonds is March 15, 2021.

For each fiscal year during which the deficit bonds are outstanding, the Town must submit to the New York State Comptroller 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. The Town has submitted quarterly financial reports to the State Comptroller's office through the fourth quarter of 2018 as required. 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. The Town has complied with this procedure with respect to the issuance of the Bonds.

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.

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, and positive operating results in 2009 and 2010, such accumulated deficits were eliminated. (See "*Deficit Financing*" herein.) 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, 2017.

General Fund – Townwide

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.

For the fiscal year ended December 31, 2017, based on audited figures, the Townwide General Fund revenues and other sources were \$31,541,145 and Townwide General Fund expenditures and other uses were \$29,998,184. Based on audited figures, the Town recognized an operating Townwide General Fund surplus, including other sources and uses, of \$1,542,961 which when added to the fund balance at the beginning of the year of \$12,314,671 resulted in a cumulative Townwide General Fund balance of \$13,857,632.

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.

For the fiscal year ended December 31, 2017, based on audited figures, the Part Town Fund revenues and other sources were \$27,020,443 and Part Town Fund expenditures and other uses were \$24,511,041. The Town recognized an operating Part Town Fund surplus, including other sources and uses, of \$2,509,402, which when added to the fund balance at the beginning of the year of \$9,379,604 resulted in a cumulative Part Town Fund balance of \$11,889,006.

Independent Audits

The Financial Statements for the fiscal years 2007 through and including 2017 were audited by the firm Nawrocki Smith LLP, Certified Public Accountants (the "Auditors"). Appendix B to the Official Statement presents excerpts from the Town's most recent audited reports covering the fiscal years ended December 31, 2013 through 2017, inclusive. The Auditors are preparing the Town's audited financial statements for the fiscal year ended December 31, 2018.

In the Town's audited financial statements for the fiscal years ended December 31, 2012 through 2017, 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 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."

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.

See the State Comptroller's official website for more information. Reference to this website implies no warranty of accuracy of information therein. References to websites and/or website addresses presented herein are for informational purposes only. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement.

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 62.5% of total General Fund (Townwide) revenues and 81.8% of total General Fund (Part Town) revenues for the fiscal year ended December 31, 2017, while State aid accounted for 17.1% of total General Fund (Townwide) revenues and 3.8% of total General Fund (Part Town) revenues for the same period. State aid revenues had accounted for less than 1% of the total General Fund (Part Town) revenues for the 2013 through 2016 fiscal years, inclusive, 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 amounts budgeted for the two most recent fiscal years.

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>
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	30,246,017	18,888,948	62.5
2018 (Adopted Budget)	31,848,188	19,421,332	61.0
2019 (Adopted Budget)	32,617,086	20,377,628	62.5

Source: Audited Financial Statements and Adopted Budgets 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 amounts budgeted for the two most recent fiscal years.

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>
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	26,954,143	22,037,482	81.8
2018 (Adopted Budget)	27,027,312	22,233,729	82.3
2019 (Adopted Budget)	28,105,642	22,909,103	81.5

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

State Aid

The Town receives financial assistance from the State. State aid accounted for 17.1% of the total General Fund (Townwide) revenues and 3.8% of total General Fund (Part Town) revenues of the Town during the 2017 fiscal year. State aid is budgeted to be 14.4% of the total General Fund (Townwide) revenues in 2019. A substantial portion of the State aid received is directed to be used for specific programs.

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.

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 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 “*Market Factors Affecting Financings of the State and Municipalities of the State*”).

The Governor’s Executive Budget for the State’s 2019-2020 fiscal year included the elimination of State Aid and Incentives for Municipalities (“AIM”) for certain municipalities, including the Town. It is unknown at this time whether the Town’s AIM aid allocation will be included in the State’s adopted budget for its 2018-2020 fiscal year or in future fiscal years.

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 amounts budgeted for the two most recent fiscal years.

<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>
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	30,246,017	5,167,785	17.1
2018 (Adopted Budget)	31,848,188	4,576,106	14.4
2019 (Adopted Budget)	32,617,086	5,086,946	15.6

(1) General Fund, Townwide only.

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

The State receives a substantial amount of federal aid for health care, education, transportation and other governmental purposes, as well as federal funding to respond to, and recover from, severe weather events and other disasters. Many of the policies that drive this federal aid may be subject to change under the federal administration and the current Congress. Current federal aid projections, and the assumptions on which they rely, are subject to revision in the future as a result of changes in federal policy.

The federal government may enact budgetary changes or take other actions that adversely affect State finances. State legislation adopted with the State’s 2018-2019 Budget continues authorization for a process by which the State would manage significant reductions in federal aid during fiscal year 2018-2019 and fiscal year 2019-2020 should they arise. Specifically, the legislation allows the State Budget Director to prepare a plan for consideration by the State Legislature in the event that the federal government (i) reduces federal financial participation in Medicaid funding to the State or its subdivisions by \$850 million or more; or (ii) reduces federal financial participation of other federal aid funding to the State that affects the State Operating Funds financial plan by \$850 million or more, exclusive of any cuts to Medicaid. Each limit is triggered separately. The plan prepared by the State Budget Director must equally and proportionately reduce appropriations and cash disbursements in the State’s General Fund and State Special Revenue Funds. Upon receipt of the plan, the State Legislature has 90 days to prepare its own corrective action plan, which may be adopted by concurrent resolution passed by both houses, or the plan submitted by the State Budget Director takes effect automatically.

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 federal 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 or other recipients of State aid including school districts in the State. Reductions in the payment of State aid could adversely affect the financial condition of municipalities and school districts in the State.

Should the City fail to receive State aid expected from the State in the amounts and at the times expected, occasioned by a delay in the payment of such monies or by a mid-year reduction in State aid, the City is authorized by the Local Finance Law to provide operating funds by borrowing in anticipation of the receipt of uncollected State aid.

Tax Cuts and Jobs Act of 2017

On December 22, 2017, President Trump signed into law the Tax Cuts and Jobs Act of 2017 (H.R. 1, P.L. 115-97), making major changes to the Federal Internal Revenue Code, most of which are effective in the 2018 tax year. The new federal tax law makes extensive changes to federal personal income taxes, corporate income taxes, and estate taxes, and the deductibility of various taxes and interest costs. The State's income tax system interacts with the federal system in numerous ways. The federal changes are expected to have significant flow-through effects on State tax burdens and revenues. The State's 2018-2019 Enacted Budget includes legislation decoupling certain linkages between federal and local income tax and corporate taxes, increasing the opportunities for charitable contributions, and providing an option to employers to shift to an employer compensation tax and reduce State personal income taxes. In addition, the State's 2018-2019 Enacted Budget includes legislation that grants localities the option to establish local charitable funds that would provide taxpayers with a credit against their property taxes. In response to various state initiatives following changes to federal taxes and deductibility, the Department of Treasury (Treasury Department) and the Internal Revenue Service (IRS) have proposed regulations addressing state initiatives that would seek to circumvent the new statutory limitation on state and local tax deductions and characterization of payments for federal income tax purposes. At this time, the Town does not presently have plans to establish a local charitable fund.

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 coastal 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.

The table below presents the annual revenues and expenditures for the Community Preservation Fund.

Community Preservation Fund – Revenues and Expenditures

	2013	2014	2015	2016	2017
Revenues	\$28,481,877	\$32,308,648	\$30,491,103	\$27,760,053	\$27,248,706
Debt Service and Land					
Acquisition Expenses	<u>8,984,622</u>	<u>40,599,493</u>	<u>30,757,264</u>	<u>33,261,837</u>	<u>46,369,733</u>
Ending Fund Balance	<u>\$55,703,755</u>	<u>\$47,412,910</u>	<u>\$47,146,749</u>	<u>\$41,644,665</u>	<u>\$22,523,638</u>

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.

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>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Assessed Value	\$ 198,154,219	\$ 198,620,361	\$ 199,658,928	\$ 200,465,483	\$ 201,651,639
Equalization Rate	.0073	.0064	.0059	.0057	.0058
Full Value	27,144,413,561	31,034,431,406	33,840,496,271	35,169,382,982	34,767,523,965
Tax Levy for Town Purposes ⁽¹⁾	\$ 45,204,666	\$ 45,873,436	\$ 46,809,854	\$ 47,785,115	\$ 49,426,826
Tax Rate for Town Purposes ⁽²⁾	\$ 269.83	\$ 273.88	\$ 279.11	\$ 283.78	\$ 291.25

(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 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.

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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, 2018.

<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>0.11</u>
Totals		<u>\$3,046,444</u>	<u>1.52%</u>

- (1) The Town's total assessed valuation for the 2018 fiscal year is \$200,465,483.
- (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 in one of the two fiscal years immediately succeeding the fiscal year in which such indebtedness was contracted, 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 objects or purposes for which such indebtedness is to be contracted, no installment may be 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. If a bond resolution is submitted to the voters by the Town Board, then only a three-fifths vote of the Town Board is needed for adoption.

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. The Town has complied with such procedure with respect to the 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.

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>
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	33,840,496,271
2017	2018	200,465,483	0.0057	35,169,382,982
2018	2019	201,651,639	0.0058	<u>34,767,523,965</u>
Total Five-Year Full Valuation				\$161,956,248,185
Five-Year Average Full Valuation				<u>32,391,249,637</u>
Debt Contracting Limitation: 7% of Average Full Valuation				<u>\$ 2,267,387,474</u>

Source: New York State Office of Real Property Services.

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Debt Contracting Limitation
(As of March 14, 2019)

Debt-Contracting Limitation:	\$2,267,387,474
Gross Direct Indebtedness:	
Bonds:	
General Purpose	\$72,200,000
NYS EFC Bonds ⁽¹⁾	<u>8,200,000</u>
Total Bonds	80,400,000
Bond Anticipation Notes (“BANs”):	41,367,403
Housing Guarantees ⁽²⁾	<u>5,022,422</u>
Total Gross Direct Indebtedness	<u>\$126,789,825</u>
Less Exclusions and Deductions:	
Appropriations for Non-Exempt Indebtedness During 2019 Fiscal Year	<u>10,840,000</u>
Total Net Direct Indebtedness	<u>\$115,949,825</u>
Debt-Contracting Margin	<u>\$2,151,437,649</u>
Percentage of Debt-Contracting Power Exhausted	<u>5.11%</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>
08/23/18	08/23/19	Bond Anticipation Notes – 2018 Series A	\$17,022,525
08/23/18	08/23/19	Bond Anticipation Notes – 2018 Series B	9,443,240
08/23/18	08/23/19	Bond Anticipation Notes – 2018 Series C (Federally Taxable)	<u>14,901,638</u>
Total			<u>\$41,367,403</u>

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>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018⁽¹⁾</u>
Bonds ⁽²⁾	\$ 98,408,736	\$ 94,152,348	\$ 89,815,941	\$ 80,545,000	\$ 82,710,000
Bond Anticipation Notes	<u>12,034,858</u>	<u>9,895,623</u>	<u>11,056,899</u>	<u>24,650,990</u>	<u>41,367,403⁽³⁾</u>
Total	<u>\$110,443,594</u>	<u>\$104,047,971</u>	<u>\$100,872,840</u>	<u>\$105,195,990</u>	<u>\$124,077,403</u>

- (1) Unaudited.
- (2) 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.
- (3) \$24,334,878 of the outstanding bond anticipation notes are related to the Wainscott water main and hookups. The town anticipates receiving between \$4.5 million and \$9.75 million from the State to pay a portion the construction of the water main. It is expected that the remaining amount will be converted to bonds and will have debt service paid by benefitted homeowners only.

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	\$1,397,018,989	6.30%	12/05/18	\$ 88,012,196
East Hampton Village	4,050,000	100.00	01/05/19	4,050,000
Sag Harbor Village	2,390,537	33.00	05/31/17	788,877
School Districts				
Amagansett	0	100.00	06/30/17	0
East Hampton	52,857,000	100.00	12/01/18	52,857,000
Montauk	0	100.00	10/11/18	0
Sag Harbor	14,780,000	11.80	10/11/18	1,625,800
Springs	400,000	100.00	09/12/18	400,000
Wainscott	555,000	90.00	06/30/17	499,500
Fire Districts				
Amagansett	1,830,000	100.00	12/31/17	1,830,000
Bridgehampton	3,888,910	75.00	12/31/17	2,916,683
Montauk	0	100.00	12/31/17	0
Springs	0	100.00	12/31/17	<u>0</u>
Total Overlapping Debt				152,980,056
Total Net Direct Debt				<u>115,949,825</u>
Total Net Direct and Overlapping Debt				<u>\$268,929,881</u>

Source: County, Village and District Officials, and the Special Report on Municipal Affairs, released by the State 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	\$115,949,825	\$ 5,297	0.33%
Net Direct and Overlapping Debt	268,929,881	12,287	0.77

(1) The Town has a population of 21,888 according to the 2016 census of the U.S. Census Bureau.

(2) The full valuation of real property in the Town for the 2019 fiscal year is \$34,767,523,965.

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 and 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>
2019 ⁽³⁾	\$13,150,000	\$ 2,760,026	\$ 15,910,026
2020	12,915,000	2,363,483	15,278,483
2021	10,805,000	1,903,633	12,708,633
2022	10,935,000	1,467,538	12,402,538
2023	8,915,000	1,037,949	9,952,949
2024	7,330,000	770,095	8,100,095
2025	6,220,000	566,429	6,786,429
2026	4,945,000	374,093	5,319,093
2027	2,885,000	242,463	3,127,463
2028	1,830,000	161,030	1,991,030
2029	1,885,000	101,771	1,986,771
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>\$82,710,000</u>	<u>\$11,842,368</u>	<u>\$94,552,368</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.

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

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</u> ⁽¹⁾⁽²⁾
2019 ⁽³⁾	\$ 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>\$ 4,105,000</u>	<u>\$ 1,869,465</u>	<u>\$ 5,974,465</u>

- (1) Off slightly due to rounding.
- (2) Debt service guaranteed by the Town.
- (3) For the entire fiscal year.

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>	<u>2016</u>	Percentage Change <u>2010-2016</u>
Town	19,719	21,457	21,888	2.01%
County	1,419,369	1,492,364	1,498,130	.39
State	18,976,457	19,378,102	19,697,457	1.65

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>	<u>2016</u>	Percentage Change <u>2010-2016</u>
Town	\$52,201	\$72,803	\$85,959	18.1%
County	65,288	84,235	90,128	7.0
State	43,393	55,217	60,741	10.0

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>
2014	5.4%	6.3%
2015	4.7	5.3
2016	4.4	4.8
2017	4.5	4.7
2018	4.0	4.2

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>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
County	769,500	780,600	779,200	782,700	785,400
State	9,591,300	9,644,600	9,668,700	9,704,700	9,717,600

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>
January 2018	5.3%	5.1%
February	5.4	5.1
March	4.8	4.8
April	4.1	4.3
May	3.6	3.7
June	3.8	4.2
July	4.0	4.2
August	4.0	4.1
September	3.3	3.8
October	3.1	3.6
November	3.1	3.5
December	3.2	3.8

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. The Town has initiated a seasonal bus service in Montauk to assist the summer resort community and facilitate movement in an area of Town greatly dependent on seasonal business and tourism.

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.

In March 2019, the Town partnered with the Long Island Railroad to provide a new commuter public transportation service. The new program will provide rush hour train service linked to local bus routes to deliver workers to their job locations in an effort to reduce the cost and time of commuting for local employees.

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

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>2018</u>	Adopted <u>2019</u>
Revenues		
Real Property Taxes	\$19,421,332	\$20,377,628
Other tax items	202,000	223,000
Departmental Income	1,467,000	1,493,075
Use of Money and Property	618,650	720,000
Licenses and Permits	869,000	835,000
Fines and Forfeitures	1,335,000	1,285,000
Miscellaneous Local Sources	547,598	486,100
State aid	4,579,106	5,086,946
Federal aid	128,297	130,000
Interfund Transfers	1,058,013	1,069,298
Appropriated Fund Balance	<u>1,622,192</u>	<u>911,039</u>
 Total Revenues	 <u><u>\$31,848,188</u></u>	 <u><u>\$32,617,086</u></u>
Expenditures		
General Government Support	\$11,650,033	\$12,297,705
Public Safety	609,476	575,148
Transportation	1,960,908	2,007,321
Economic Assistance & Opportunity	1,768,488	1,842,392
Culture and Recreation	2,874,414	3,018,614
Home and Community Services	2,629,901	2,608,236
Employee Benefits	1,536,382	1,625,752
Debt Service	8,448,784	8,253,198
Internal Transfers	<u>369,802</u>	<u>388,720</u>
 Total Expenditures	 <u><u>\$31,848,188</u></u>	 <u><u>\$32,617,086</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>2018</u>	Adopted <u>2019</u>
Revenues		
Real Property Taxes	\$22,233,729	\$22,909,103
Other Tax Items	1,159,000	1,207,000
Departmental Income	2,680,000	2,495,000
Use of Money and Property	247,500	243,500
Fines and Forfeitures	1,000	0
Miscellaneous Local Sources	254,300	289,200
State & Federal Aid	71,500	76,000
Interfund Transfers	60,000	0
Appropriated Fund Balance	<u>320,283</u>	<u>885,839</u>
Total Revenues	<u><u>\$27,027,312</u></u>	<u><u>\$28,105,642</u></u>
 Expenditures		
General Government Support	\$1,535,352	\$1,442,182
Public Safety	20,298,231	20,703,249
Home and Community Services	1,598,575	1,630,949
Employee Benefits	1,831,590	1,960,849
Debt Service	1,763,564	2,368,413
Internal Transfer	<u>0</u>	<u>0</u>
Total Expenditures	<u><u>\$27,027,312</u></u>	<u><u>\$28,105,642</u></u>

Source: Adopted Budgets of the Town.

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

	<u>2016</u>	<u>2017</u>
<u>Assets</u>		
Cash and Investments	\$6,394,113	\$10,577,335
Restricted Cash	2,659,510	2,476,615
Accounts Receivable, net	355,793	837,460
Prepaid expenses	507,969	316,172
Due From Other Funds	1,745,280	1,476,861
State and Federal Aid Receivable	1,723,469	1,393,908
Due from Fiduciary Funds	33,403	0
Due from Other Governments	434,173	155,902
	<u>\$13,853,710</u>	<u>\$17,234,253</u>
<u>Liabilities</u>		
Accounts Payable	\$846,253	\$515,918
Accrued Liabilities	106,998	149,479
Due to Other Funds	8,231	50,097
Due to Fiduciary Funds	2,940	1,033
Due to Other Governments	38,468	32,674
	<u>\$1,002,890</u>	<u>\$749,201</u>
<u>Deferred Inflows</u>		
Deferred Property Taxes	\$536,149	\$2,627,420
<u>Fund Balance:</u>		
Nonspendable	\$507,969	\$316,172
Restricted	2,659,510	2,476,615
Assigned	52,559	83,373
Unassigned	9,094,633	10,981,472
	<u>\$12,314,671</u>	<u>\$13,857,632</u>
Total Liabilities and Fund Balance	<u>\$13,853,710</u>	<u>\$17,234,253</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>2016</u>	<u>2017</u>
<u>Assets</u>		
Cash	\$8,874,143	\$13,668,865
Restricted Cash	128,373	243,993
Accounts Receivable, net	268,105	289,288
Prepaid Expenses	500,716	586,040
State and Federal Aid Receivable	5,507	10,000
Due From Other Funds	12,105	13,316
Due From Fiduciary Funds	18,677	34,225
Due From Other Governments	960,206	28,865
	<hr/>	<hr/>
Total Assets	<u>\$10,767,832</u>	<u>\$14,874,592</u>
 <u>Liabilities</u>		
Accounts Payable	\$532,341	\$189,489
Accrued Liabilities	330,825	81,276
Due to Other Funds	8,491	77,041
Due to Fiduciary Funds	0	0
Due to Employees' Retirement Systems	0	0
	<hr/>	<hr/>
Total Liabilities	<u>\$871,657</u>	<u>\$347,806</u>
 <u>Deferred Inflows</u>		
Deferred Property Taxes	\$516,571	\$2,637,780
 <u>Fund Balance:</u>		
Nonspendable	\$500,716	\$586,040
Restricted	128,373	243,993
Committed Fund Balance	0	0
Assigned	8,750,515	11,058,973
Unassigned	0	0
	<hr/>	<hr/>
Total Fund Balance	<u>\$9,379,604</u>	<u>\$11,889,006</u>
	 <hr/>	 <hr/>
Total Liabilities and Fund Balance	<u>\$10,767,832</u>	<u>\$14,874,592</u>

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>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Revenues					
Real Property Taxes	\$17,746,993	\$18,538,476	\$19,255,338	\$19,251,964	\$18,888,948
Other Real Property Tax Items	236,088	334,814	204,615	194,195	209,596
Non-Property Taxes	943,152	993,524	1,030,339	1,108,013	1,139,007
Departmental Income	1,113,794	1,152,292	1,257,227	1,451,078	1,336,950
Intergovernmental Charges	16,348	16,752	14,839	16,975	31,860
Use of Money and Property	497,159	482,367	433,383	465,646	472,928
Licenses and Permits	13,644	12,405	10,739	10,527	10,256
Fines and Forfeitures	1,326,829	969,186	1,278,947	1,398,756	1,175,477
Sales of Property and					
Compensation for Loss	2,364,242	310,941	586,533	107,778	980,381
Miscellaneous Local Sources	341,068	471,025	449,888	526,020	604,664
State Aid	4,900,796	5,133,780	5,110,949	5,367,693	5,167,785
Federal Aid	219,024	162,434	128,721	140,160	228,165
Total Revenues	<u>\$29,719,137</u>	<u>\$28,577,996</u>	<u>\$29,761,518</u>	<u>\$30,038,805</u>	<u>\$30,246,017</u>
Expenditures					
General Government Support	\$10,094,560	\$9,881,926	\$10,476,775	\$10,189,305	\$10,906,438
Public Safety	1,204,714	1,198,828	1,170,141	1,240,503	1,337,083
Health	50,000	50,000	50,000	50,000	47,513
Transportation	711,521	736,514	709,237	705,755	793,645
Economic Assistance & Opportunity	1,439,957	1,386,834	1,486,324	1,532,884	1,580,607
Culture and Recreation	2,468,758	2,460,486	2,578,809	2,690,967	2,808,152
Home and Community Service	2,264,368	2,307,910	2,158,288	2,326,291	2,588,970
Employee Benefits	1,822,915	1,483,437	1,499,218	1,484,250	1,505,194
Debt Service - Principal & Interest	8,017,614	8,442,619	8,451,955	7,920,533	8,084,028
Total Expenditures	<u>\$28,074,407</u>	<u>\$27,948,554</u>	<u>\$28,580,747</u>	<u>\$28,140,488</u>	<u>\$29,651,630</u>
Excess (Def.) of Revenues					
Over (Under) Expenditures	<u>1,644,730</u>	<u>629,442</u>	<u>1,180,771</u>	<u>1,898,317</u>	<u>594,387</u>
Other Financing Sources (Uses):					
Debt Proceeds	29,720	14,455,307	20,658,491	5,059,067	133,276
Payment to Refunded Bond Escrow Account	0	(16,270,369)	(20,388,279)	(4,827,092)	0
Bond Issuance Costs	0	0	0	0	0
Operating Transfers In	774,186	824,436	1,558,229	855,571	1,161,852
Operating Transfers Out	<u>(726,832)</u>	<u>(595,465)</u>	<u>(256,997)</u>	<u>(483,808)</u>	<u>(346,554)</u>
Total Other Financing Sources (Uses)	77,074	(1,586,091)	1,571,444	603,738	948,574
Excess (Def.) of Revenues and					
Other Financing Sources Over					
Expenditures and Other Uses	<u>1,721,804</u>	<u>(956,649)</u>	<u>2,752,215</u>	<u>2,502,055</u>	<u>1,542,961</u>
Fund Balances - Beginning of Year, as restated (1)	6,062,402	\$8,017,050	7,060,401	9,812,616	12,314,671
Fund Balances - End of Year	<u>\$7,784,206</u>	<u>\$7,060,401</u>	<u>\$9,812,616</u>	<u>\$12,314,671</u>	<u>\$13,857,632</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>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Revenues					
Real Property Taxes	\$20,470,089	\$20,442,181	\$20,741,753	\$21,133,417	\$22,037,482
Other Real Property Tax Items	83,522	88,531	83,080	85,586	87,398
Non-Property Taxes	691,117	691,117	796,017	900,917	136,867
Departmental Income	1,704,842	2,037,091	2,247,309	3,230,729	2,911,090
Intergovernmental Charges	19,039	17,127	16,944	11,478	14,615
Use of Money and Property	159,464	154,252	163,618	174,617	178,577
Fines and Forfeitures	0	15,626	1,218	1,308	0
Sales of Property and Compensation for Loss	47,178	70,133	54,071	81,030	86,806
State Aid	10,485	31,110	28,902	11,377	1,023,243
Federal Aid	56,172	5,198	40,331	38,495	59,560
Miscellaneous Local Sources	331,525	368,570	350,502	414,593	418,505
Total Revenues	<u>\$23,573,433</u>	<u>\$23,920,936</u>	<u>\$24,523,745</u>	<u>\$26,083,547</u>	<u>\$26,954,143</u>
Expenditures					
General Government Support	\$1,227,168	\$1,194,366	\$1,307,181	\$1,361,315	\$1,180,782
Public Safety	17,009,220	17,919,490	17,611,162	17,992,494	18,618,085
Home and Community Service	1,279,248	1,310,259	1,298,018	1,513,034	1,412,942
Employee Benefits	1,514,824	1,504,866	1,528,457	1,752,597	1,772,591
Debt Service - Principal & Interest	1,773,823	1,370,548	1,423,829	1,465,758	1,526,641
Total Expenditures	<u>22,804,283</u>	<u>23,299,529</u>	<u>23,168,647</u>	<u>24,085,198</u>	<u>24,511,041</u>
Excess (Def.) of Revenues					
Over (Under) Expenditures	769,150	621,407	1,355,098	1,998,349	2,443,102
Other Financing Sources (Uses):					
Debt Proceeds	6,000	2,954	4,418	23,451	64,400
Operating Transfers In	444,650	6,215	1,539	0	1,900
Operating Transfers Out	(313)	(191)	(2,509)	(69,332)	0
Total Other Financing Sources (Uses)	450,337	8,978	3,448	(45,881)	66,300
Excess (Def.) of Revenues and					
Other Financing Sources Over					
Expenditures and Other Uses	1,219,487	630,385	1,358,546	1,952,468	2,509,402
Fund Balances - Beginning of Year, as restated (1)	4,218,718	5,438,205	6,068,590	7,427,136	9,379,604
Fund Balances - End of Year	<u>\$5,438,205</u>	<u>\$6,068,590</u>	<u>\$7,427,136</u>	<u>\$9,379,604</u>	<u>\$11,889,006</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, 2017*

**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/ES1322014.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

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April 11, 2019

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 \$5,675,000* Refunding Serial Bonds-2019 (the "Bonds") of the Town, 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.

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 under the Code.

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.

We express no opinion as to any other federal, state or local tax consequences arising with respect to the Bonds, or the ownership or disposition thereof, except as stated above. We render our opinion under existing statutes and court decisions as of the date hereof, and assume no obligation to update, revise or supplement our opinion to reflect any action hereafter taken or not taken, any fact or circumstance that may hereafter come to our attention, any change in law or interpretation thereof that may hereafter occur, or for any other reason. We express no opinion as to the consequence of any of the events described in the preceding sentence or the likelihood of their occurrence. In addition, we express no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel regarding federal, state or local tax matters, including, without limitation, exclusion from gross income for federal income tax purposes of interest on the Bonds.

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,

APPENDIX E

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 April 2, 2019.

“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 **\$5,675,000* REFUNDING SERIAL BONDS-2018**, dated April 11, 2018, maturing in various principal amounts on June 1 in each of the years 2019 to 2024, 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, 2018, 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, 2018, 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.
- (15) incurrence of a financial obligation of the County, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the County, any of which affect security holders, if material; and
- (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the County, any of which reflect financial difficulties.

- (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 April 11, 2019.

TOWN OF EAST HAMPTON

By _____
Supervisor and Chief Fiscal Officer