

FINAL OFFICIAL STATEMENT DATED MARCH 30, 2010

SERIAL BONDS

STANDARD & POOR'S: A+/STABLE

In the opinion of Hrabchak, Gebo & Langone, P.C., of Watertown, New York, Bond Counsel, subject to continuing compliance by the Village of Clayton, Jefferson County, New York (the "Village") with its covenants relating to certain requirements contained in the Internal Revenue Code of 1986, as amended (the "Code"), interest on the Bonds is (A) excluded from gross income of the owners thereof for federal income tax purposes under existing law, and (B) exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including the City of New York). Moreover, interest on the Bonds is not an "item of tax preference" for purposes of the individual and corporate alternative minimum taxes.

The Bonds will be designated as "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Code. (See the caption "TAX EXEMPTION" herein for a discussion of certain federal taxes applicable to corporate owners of the Bonds.)

VILLAGE OF CLAYTON
JEFFERSON COUNTY, NEW YORK
(the "Village")

\$1,195,000

PUBLIC IMPROVEMENT SERIAL BONDS, 2010

(the "Bonds")

(Designated/Bank Qualified)

(Book-Entry Only)

Dated: April 15, 2010

Principal Due: April 15, 2011/2022, inclusive
Interest Due: October 15, 2010 and semi-annually thereafter on April 15 and October 15

BOND MATURITY SCHEDULE

Table with 10 columns: Year, Amount, Rate, Yield, CUSIP, Year, Amount, Rate, Yield, CUSIP. Rows list bond maturities from 2011 to 2022.

Prior Redemption: The Bonds will NOT be subject to redemption, in whole or in part, prior to maturity.

Form and Denomination: The Bonds will be issued as registered bonds, and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, ("DTC") New York, New York, which will act as securities depository for the Bonds.

Payment: Principal and Interest will be paid by the Village to DTC. Payment of the principal of and interest on the Bonds to the Beneficial Owners of the Bonds will be made by DTC Participants and Indirect Participants in accordance with standing instructions and customary practices, as is now the case with municipal securities held for the accounts of customers in bearer form or registered in "street name".

The record date for the Bonds is the last business day of the calendar month preceding an interest payment date.

ROOSEVELT & CROSS, INC. AND ASSOCIATES

Proposals shall be for not less than \$1,195,000 and accrued interest, if any, on the total principal amount of the Bonds. Proposals shall be accompanied by a good faith deposit in the form of a wire transfer or a certified or cashier's check, payable to the order of the Village of Clayton, in the amount of \$23,900.

Written proposals and facsimile transmission (FAX) bids (FAX number: 585-394-4092) will be received for the Bonds on Tuesday, March 30, 2010 until 11:30 o'clock a.m. Prevailing Time, in accordance with the official Notice of Sale included herewith, at Municipal Solutions, Inc., 2528 State Route 21, Canandaigua, New York 14424.

The Bonds are offered when, as and if issued and received by the purchaser and are subject to the receipt of the unqualified legal opinion as to the validity of the Bonds of Hrabchak, Gebo & Langone, P.C., Bond Counsel, of Watertown, New York. It is anticipated that the Bonds will be available for delivery through the facilities of DTC in New York, New York on or about April 15, 2010.

THE VILLAGE DEEMS THIS OFFICIAL STATEMENT TO BE FINAL FOR PURPOSES OF SECURITIES AND EXCHANGE COMMISSION RULE 15c2-12 (THE "RULE"), EXCEPT FOR CERTAIN INFORMATION THAT HAS BEEN OMITTED HEREFROM IN ACCORDANCE WITH THE RULE AND THAT WILL BE SUPPLIED WHEN THIS OFFICIAL STATEMENT IS UPDATED FOLLOWING THE SALE OF THE BONDS. THIS OFFICIAL STATEMENT WILL BE SO UPDATED UPON REQUEST OF THE SUCCESSFUL BIDDER, AS MORE FULLY DESCRIBED IN THE NOTICE OF SALE WITH RESPECT TO THE BONDS. THE VILLAGE WILL CONVEY IN AN UNDERTAKING TO PROVIDE CERTAIN CUSTOMARILY PREPARED AND PUBLICLY AVAILABLE FINANCIAL INFORMATION AND OPERATING DATA, AS WELL AS NOTICE OF CERTAIN MATERIAL EVENTS (AS DEFINED IN THE RULE), AS REQUIRED BY THE RULE (SEE "UNDERTAKING REGARDING MATERIAL EVENT NOTICES AND FINANCIAL INFORMATION AND OPERATING DATA," HEREIN).

OFFICIAL STATEMENT DATED MARCH 22, 2010

SERIAL BONDS

STANDARD AND POOR'S: APPLIED FOR

In the opinion of Hrabchak, Gebo & Langone, P.C., of Watertown, New York, Bond Counsel, subject to continuing compliance by the Village of Clayton, Jefferson County, New York (the "Village") with its covenants relating to certain requirements contained in the Internal Revenue Code of 1986, as amended (the "Code"), interest on the Bonds is (A) excluded from gross income of the owners thereof for federal income tax purposes under existing law, and (B) exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including the City of New York). Moreover, interest on the Bonds is not an "item of tax preference" for purposes of the individual and corporate alternative minimum taxes.

The Bonds will be designated as "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Code. (See the caption "TAX EXEMPTION" herein for a discussion of certain federal taxes applicable to corporate owners of the Bonds.)

VILLAGE OF CLAYTON
JEFFERSON COUNTY, NEW YORK
(the "Village")

\$1,195,000

PUBLIC IMPROVEMENT SERIAL BONDS, 2010

(the "Bonds")

(Designated/Bank Qualified)

(Book-Entry Only)

Dated: April 15, 2010

Principal Due: April 15, 2011/2022, inclusive
Interest Due: October 15, 2010 and semi-annually thereafter on April 15 and October 15

BOND MATURITY SCHEDULE

<u>Year</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>	<u>CUSIP</u>	<u>Year</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>	<u>CUSIP</u>
2011	\$95,000				2017	\$100,000			
2012	100,000				2018	100,000			
2013	100,000				2019	100,000			
2014	100,000				2020	100,000			
2015	100,000				2021	100,000			
2016	100,000				2022	100,000			

Prior Redemption: The Bonds will NOT be subject to redemption, in whole or in part, prior to maturity.

Form and Denomination: The Bonds will be issued as registered bonds, and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, ("DTC") New York, New York, which will act as securities depository for the Bonds. Individual purchases of the Bonds will be made in book-entry-only form, in denominations of \$5,000, such that one bond certificate will be issued for each maturity of Bonds. Bondholders will not receive certificates representing their ownership interest in the Bonds purchased. See "Book-Entry-Only System" herein.

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

The record date for the Bonds is the last business day of the calendar month preceding an interest payment date.

The Bonds are general obligations of the Village and will contain a pledge of its faith and credit for the payment of the principal of and interest on the Bonds, all the taxable real property within which is subject to the levy of *ad valorem* taxes to pay the Bonds and interest thereon, without limitation as to rate or amount.

The Bonds are general obligations of the Village and will contain a pledge of its faith and credit for the payment of the principal of and interest on the Bonds, all the taxable real property within which is subject to the levy of *ad valorem* taxes to pay the Bonds and interest thereon, without limitation as to rate or amount.

The Bonds are offered when, as and if issued and received by the purchaser and are subject to the receipt of the unqualified legal opinion as to the validity of the Bonds of Hrabchak, Gebo & Langone, P.C., Bond Counsel, of Watertown, New York. It is anticipated that the Bonds will be available for delivery through the facilities of DTC in New York, New York on or about April 15, 2010.

THIS REVISED COVER SUPPLEMENTS THE OFFICIAL STATEMENT OF THE VILLAGE DATED MARCH 22, 2010 RELATING TO THE OBLIGATIONS THEREOF DESCRIBED THEREIN AND HEREIN BY INCLUDING CERTAIN INFORMATION OMITTED FROM SUCH OFFICIAL STATEMENT IN ACCORDANCE WITH SECURITIES AND EXCHANGE COMMISSION RULE 15c2-12. OTHER THAN AS SET FORTH ON THE REVISED COVER PAGE, THE ADDITION OF THE "RATING" AS APPENDIX B, THERE HAVE BEEN NO REVISIONS TO SAID OFFICIAL STATEMENT.

**VILLAGE OF CLAYTON
JEFFERSON COUNTY, NEW YORK**

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Clayton, NY 13624
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vclayton@gisco.net

VILLAGE OFFICIALS

Norma J. Zimmer, Mayor

TRUSTEES

Mary Burke
Dennis Honeywell
Doug Rogers
Shauna Sherboneau

Geneva Phelps Miller, Clerk/Treasurer
Joseph Russell, Esq., Village Attorney

* * *

BOND COUNSEL

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Hrabchak Gebo & Langone, P.C.
216 Washington Street, Suite 300
Watertown, New York 13601

* * *

FINANCIAL ADVISOR

MUNICIPAL SOLUTIONS, INC.
Municipal Financial Advisory Service

83 Myrtle Street
LeRoy, New York 14482
Phone: 585-768-2136
Fax: 585-768-2133

2528 State Route 21
Canandaigua, New York 14424
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E-mail: yharris@municipalsolution.com
Website: <http://www.municipalsolution.com>

No dealer, broker, salesman or other person has been authorized by the Village to give any information or to make any representations not 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 Village. 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 Village from sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness. The information, estimates 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 Village since the date hereof.

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Prepared with the Assistance of:
Municipal Solutions, Inc.

OFFICIAL STATEMENT

VILLAGE OF CLAYTON
JEFFERSON COUNTY, NEW YORK
(the "Village")

\$1,195,000

PUBLIC IMPROVEMENT SERIAL BONDS, 2010
(the "Bonds")

This Official Statement presents certain information relating to the Village of Clayton, in the County of Jefferson, in the State of New York (the "Village," "County," and "State," respectively) in connection with the sale of the Village's \$1,195,000 Public Improvement Serial Bonds, 2010 (the "Bonds") of the Village.

All quotations from and summaries and explanations of provisions of the Constitution and laws of the State and acts and proceedings of the Village 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 Village 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 general obligations of the Village and will contain a pledge of the faith and credit of the Village for payment of the principal of and interest on the Bonds as required by the Constitution and laws of the State of New York (State Constitution, Article VIII, Section 2; Local Finance Law, Section 100.00). All the taxable real property within the Village is subject to the levy of *ad valorem* taxes to pay the Bonds and interest thereon, without limitation as to rate or amount, sufficient to pay such principal and interest as the same become due.

The Bonds comprise an issue in the principal amount of \$1,195,000, will be dated April 15, 2010, and will mature in annual installments beginning on April 15, 2011, as set forth on the cover hereof. Interest on the Bonds will be payable on October 15, 2010 and semiannually thereafter on April 15 and October 15 until maturity.

The Bonds will be issued in registered form and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York, which will act as securities depository for the Bonds. Purchase of the Bonds will be made in book-entry-only form in denominations of \$5,000 each or any integral multiple thereof. Bondholders will not receive certificates representing their ownership interest in the Bonds purchased. Principal and interest on the Bonds will be payable when due as described in "Book-Entry-Only System" herein.

Optional Redemption

The Bonds will NOT be subject to redemption, in whole or in part, prior to maturity.

Authorization and Purpose

The Bonds are being issued pursuant to the Constitution and Laws of the State of New York, including among others, Village Law, the Local Finance Law, and pursuant to bond resolutions authorizing the issuance of serial bonds for the following purposes:

<u>Date Authorized</u>	<u>Purpose</u>	<u>Amount Authorized</u>	<u>Amount Outstanding</u> ¹	<u>Principal Payment</u>	<u>Amount of Bonds</u>
02/12/07	Highway Improvements to Strawberry Lane and Brooks Drive	\$1,037,000	\$950,000	\$55,000	\$895,000
06/12/06	Replacement/Improvements to Thousand Island Regional Docks	1,563,000	400,000	100,000	300,000
	Totals:	<u>\$2,600,000</u>	<u>\$1,350,000</u>	<u>\$155,000</u>	<u>\$1,195,000</u>

Note: ¹ To be paid in full with proceeds of this issue and \$155,000 cash on hand.

For further information regarding bond authorizations of the Village for capital purposes and other matters relating thereto see "Indebtedness of the Village".

Book-Entry-Only System

The Depository Trust Company ("DTC"), New York, NY, 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"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of 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 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 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 Bonds 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.

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 Village, on the 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 Bonds 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 Village, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Village or its Agent, disbursement of such payments to Direct Participants will be the responsibility of the Village, 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 Village. Under such circumstances, in the event that a successor depository is not obtained, fully-registered bond certificates are required to be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that The Village believes to be reliable, but the Village takes no responsibility for the accuracy thereof.

Source: The Depository Trust Company, New York

Certified Bonds

DTC may discontinue providing its services with respect to the Bonds at any time by giving notice to the Village and discharging its responsibilities with respect thereto under applicable law, or the Village may terminate its participation in the system of book-entry-only transfers through DTC at any time. In the event that such book-entry-only system is discontinued, the following provisions will apply: the Bonds will be issued in fully registered form in denominations of \$5,000 each or any integral multiple thereof. Principal of the Bonds when due will be payable upon presentation at the principal corporate trust office of a bank or trust company located and authorized to do business and act as a fiscal agent in the State of New York to be named by the Village. Interest on the Bonds will be payable October 15, 2010 and semiannually thereafter on April 15 and October 15 in each year to maturity. Such interest will be payable by check drawn on the fiscal agent and mailed to the registered owner on each interest payment date at the address as shown on the registration books of the fiscal agent as of the last business day of the calendar month preceding each such interest payment date. Bonds may be transferred or exchanged at no cost to the registered owner at any time prior to maturity at the office of the fiscal agent for Bonds of the same or any other authorized denomination or denominations in the same aggregate principal amount upon the terms set forth in the Certificate of Determination executed by the Village Treasurer authorizing the sale of the Bonds and fixing the details thereof and in accordance with the Local Finance Law. The fiscal agent shall not be obligated to make any such transfer or exchange of Bonds between the last business day of the calendar month preceding an interest payment date and such interest payment date.

Security and Source of Payment

Each Bond, when duly issued and paid for, will constitute a contract between the Village and the holder thereof.

The Bonds are general obligations of the Village and will contain a pledge of the faith and credit of the Village for the payment of the principal of and interest thereon. For the payment of such principal and interest, the Village has the power and statutory authorization to levy *ad valorem* taxes on all real property in the Village subject to taxation, without limitation as to rate or amount.

Under the Constitution of the State, the Village 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 Village to levy taxes on real estate therefore.

Remedies of Bondholders on Default

Upon default in payment in full of the principal of or interest on the Bonds, a holder of such defaulted Bonds has a contractual right to sue the Village for the amount then due thereon. Such holder may obtain a judgment against the Village with interest as provided by law from the date of default in such payment or the date of demand therefore, if later. Execution or attachment of Village property cannot be obtained to satisfy the judgment. The General Municipal

Law of the State provides that if the Village fails to pay a final judgment for such principal and/or interest, it shall be the duty of the Village Board of the Village to assess, levy and cause to be collected at the same time and in like manner as other moneys for expenses are then next thereafter to be assessed, levied and collected, a sum of money sufficient to pay said judgment with interest thereon. Any moneys so collected shall, from time to time, be paid to the judgment creditors.

In addition, the State Constitution provides that if the Village fails to provide in its annual budget an amount sufficient to meet payment of principal of or interest on the Bonds, the Village shall set aside from the first revenues thereafter received an amount necessary to pay such amounts which were required to be included in the Village's annual budget. In addition, the Village Treasurer may be required to set apart and apply such revenues to the payment of principal and interest on the Bonds at the suit of any holder of the Bonds. However, such right is subject to the discretionary power of the enforcing court and may be abridged by federal laws affecting creditors' rights or laws involving financial emergencies. (See "Special Provisions Affecting Remedies Upon Default.")

Special Provisions Affecting Remedies Upon Default

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

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

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

Under the Bankruptcy Code, a petition may be filed in Federal bankruptcy court by a municipality which is insolvent or unable to meet its debts as they mature. Generally, the filing of such a petition operates as a stay of any proceeding to enforce a claim against the municipality. The Bankruptcy Code also requires the municipality to file a plan for the adjustment of its debts, which may modify or alter the rights of creditors and would authorize the Federal bankruptcy court to permit the municipality to issue certificates of indebtedness, which could have priority over existing creditors and which could be secured. Any plan of adjustment confirmed by the court must be approved by the requisite majority of creditors. If confirmed by the bankruptcy court, the plan would be binding upon all creditors affected by it. The Village has the legal capacity to file a petition under the Bankruptcy Code.

It might be asserted that under the Bankruptcy Code interest and principal payments made by the Village in respect of its indebtedness within ninety days of the filing of a bankruptcy petition with respect to the Village were voidable preferences. If these assertions were made and sustained by the bankruptcy court, the recipients of those preferential payments could be required to refund them, and their claims would then be treated as if the preferential payments had not been made.

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

As a result of the Court of Appeals decision, the constitutionality of that portion of Title 6-A of the Local Finance Law enacted at the 1975 Extraordinary Session of the State Legislature, authorizing any county, 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 ever been declared with respect to the Village.

No principal or interest payment on Village's indebtedness is past due. The Village has never defaulted in the payments of principal of and interest on any indebtedness.

THE VILLAGE

General Information

The Village, which was incorporated in 1872, is located in northern New York State in the Thousand Islands region on the St. Lawrence River, approximately 90 miles north of the City of Syracuse, 30 miles north of the City of Watertown and 15 miles south of the Canadian border.

The Village is mostly residential, with a developing tourism industry. The only deep-water dockage in the Thousand Islands area is located in the Village and is used for larger cruise ships, private yachts, and to provide access for St. Lawrence River emergency service activities. The Village provides many activities for visitors, including boating, fishing, scuba diving, camping, sightseeing, museums, waterfront concerts, a seasonal theater and a historic downtown with antiques, clothing and gift shops.

Source: Village Officials

Other Information

The statutory authority for the power to spend money for the object or purpose, or to accomplish the object or purpose, for which the Bonds are to be issued is the Village Law and the Local Finance Law.

No principal or interest upon any obligation of the Village is past due.

The fiscal year of the Village is from June 1 to May 31.

This Official Statement does not include the financial data of any other political subdivisions of the State having power to levy taxes within the Village.

Governmental Organization

One independent governed school district is located partially within the Village, which relies on its own taxing powers granted by the State to raise revenues. The school district uses the Town of Clayton's assessment roll as its basis for taxation of property within the Village.

Subject to the provisions of the State Constitution, the Village operates pursuant to Village Law, the Local Finance Law, other laws generally applicable to the Village and any special laws applicable to the Village. Under such laws, there is no authority for the Village to have a charter, but pursuant to the Village Law and other laws generally applicable to home rule, the Village may from time to time adopt local laws.

The legislative power of the Village is vested in the Board of Trustees, which consists of five members, including Mayor, who is the chief executive officer of the Village, elected for a term of two years. The four other members of the Village Board are elected to two year-terms, which are staggered; all Board members are elected at large and there is no limitation to the number of terms each may serve. The Mayor, with the approval of the Village Board, appoints the Village Clerk-Treasurer for a two-year term, and the Village Attorney is appointed for a one-year term.

Employees

The Village provides services through approximately 21 full-time employees and 26 part-time employees. Some employees are represented by the following labor organizations:

<u>Union</u>	<u>Number of Employees</u>	<u>Contract Expiration Date</u>
Teamsters Local 687 - DPW	12	May 31, 2010
Teamsters Local 687 - Police	3	May 31, 2011

Source: Village Officials

DEMOGRAPHIC AND STATISTICAL INFORMATION

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

Population

<u>Year</u>	<u>Village of Clayton</u>	<u>Jefferson County</u>	<u>New York State</u>	<u>United States</u>
1990	2,160	110,943	17,990,455	249,632,692
2000	1,821	111,738	18,976,457	281,421,906

Source: US Census Bureau

Median Household Income

<u>Year</u>	<u>Village of Clayton</u>	<u>Jefferson County</u>	<u>New York State</u>	<u>United States</u>
1990	\$26,029	\$25,929	\$32,965	\$30,056
2000	31,354	34,006	43,393	41,994

Source: US Census Bureau

Per Capita Income

<u>Year</u>	<u>Village of Clayton</u>	<u>Jefferson County</u>	<u>New York State</u>	<u>United States</u>
1990	\$11,954	\$11,160	\$16,501	\$14,420
2000	18,247	16,202	23,389	21,587

Source: US Census Bureau

Unemployment Rate Statistics

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

<u>Annual Averages:</u>	<u>Jefferson County</u>	<u>New York State</u>	<u>United States</u>
2005	6.2%	5.0%	5.1%
2006	5.6	4.6	4.6
2007	5.5	4.5	4.6
2008	6.9	5.4	5.8
2009	8.7	8.4	9.3

2010 Monthly Rates:

January	10.8%	9.4%	10.6%
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Source: Department of Labor, State of New York, Bureau of Labor Statistics. Information not seasonally adjusted.

Selected Listing of Larger Employers

<u>Name</u>	<u>Type</u>	<u>Estimated No. of Employees</u>
Thousand Islands Central School	Education	200
Clayton Big M	Supermarket	100*
Clipper Inn	Restaurant	75*
Village of Clayton	Municipal Government	49*
Antique Boat Museum	Museum	40*
O'Brien's	Restaurant	40*
Kinney Drugs	Pharmacy	25
Town of Clayton	Municipal Government	25
Gray's Wholesale	Wholesale Food Distributor	24
Thousand Islands Inn	Restaurant/Inn	15*

Source: Village Officials

Note: * Seasonal employees included in total.

INDEBTEDNESS OF THE VILLAGE

Constitutional Requirements

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

Purpose and Pledge: Subject to certain enumerated exceptions, the Village 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 Village may contract indebtedness only for a Village purpose and shall pledge its faith and credit for the payment of principal of and interest thereon.

Payment and Maturity: Except for certain short-term indebtedness contracted in anticipation of taxes or to be paid within three fiscal year periods, indebtedness shall be paid in annual installments commencing no later than two years after the date such indebtedness shall have been contracted and ending no later than the expiration of the period of probable usefulness of the object or purpose as determined by statute; no installment may be more than fifty per centum in excess of the smallest prior installment, unless the Village authorizes the issuance of bonds with substantially level or declining debt service. The Village 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 of serial bonds and notes and such required annual installments on its bonds.

There is no constitutional limitation on the amount that may be raised by the Village by taxes on real estate in any fiscal year to pay interest and principal on all indebtedness.

The Village is further subject to constitutional limitation by the general constitutionally imposed duty of the State Legislature to restrict the power of taxation, assessment, borrowing money, contracting indebtedness and loaning the credit of the Village so as to prevent abuses in taxation and assessments and in contracting indebtedness; however, as has been noted under "Security and Source of Payment" the State Legislature is prohibited by a specific constitutional provision from restricting the power of the Village to levy taxes on real estate for the payment of interest on or principal of indebtedness theretofore contracted.

Statutory Procedure

In general, the State Legislature has authorized the power and procedure for the Village to borrow and incur indebtedness by the enactment of the Local Finance Law subject, of course, to the constitutional provisions set forth above.

The power to spend money, however, generally derives from other law, including the Village Law and General Municipal Law of the State.

Pursuant to the Local Finance Law, the Village 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 Village Board of Trustees, the finance board of the Village. Certain of such resolutions may be subject to permissive referendum, or may be submitted to the Village voters at the discretion of the Village Board of Trustees.

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

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

1. (a) Such obligations were authorized or an object or purpose for which the Village is not authorized to expend money or
(b) If the provisions of the law which should be complied with as of the date of publication of the notice were not substantially complied with,

and an action, suit or proceeding contesting such validity is commenced within 20 days after the date of such publication of the notice; or

2. Such obligations were authorized in violation of the provisions of the Constitution of New York.

Except on rare occasions the Village complies with this estoppel procedure, and it has done so with respect to the bond resolutions under which the Bonds are being issued. It is a procedure that is recommended by Bond Counsel, but is not an absolute legal requirement.

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 annual principal installments are made in reduction of the total amount of such notes outstanding, commencing no later than two years from the date of the first issuance of such notes, and provided that such renewals generally do not extend 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 principal reductions for the entire period of probable usefulness of the purpose for which such notes were originally issued. (See "Payment and Maturity" under "Constitutional Requirements," and "Details of Short-Term Indebtedness Outstanding" herein).

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

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

Debt Limit

The Village has the power to contract indebtedness for any Village purpose so long as the principal amount thereof shall not exceed seven per centum of the average full valuation of taxable real estate of the Village and subject to certain enumerated exclusions set forth in the Local Finance Law. The statutory 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 ratio which such assessed valuation bears to the full valuation as determined by the State Board of Real Property Services. The State Legislature is required to prescribe the manner by which such ratio shall be determined.

Details of Short-Term Indebtedness Outstanding

As of the date of this Official Statement, the Village has the following short-term indebtedness outstanding:

<u>Type</u>	<u>Maturity</u>	<u>Purpose</u>	<u>Amount</u>	
BAN	04/15/10	Thousand Island Regional Dock	\$400,000	¹
BAN	04/15/10	Highway Improvements (Strawberry Lane and Brooks Drive)	950,000	¹
BAN	04/15/10	Westside Water	600,000	²
BAN	10/03/10	LS1A Sewer	750,000	
			Total	
			<u>\$2,700,000</u>	

Notes: ¹ To be paid in full with proceeds of this issue and \$155,000 cash on hand.

² It is anticipated that the Notes will be called early and permanently financed through USDA Rural Development.

Status of Outstanding Bond Issues

Year of Issue:	1996	1998A	2000
Amount Issued	\$434,000	\$1,658,698	\$213,700
Last Maturity:	08/01/2010	7/15/2014	4/26/2038
Interest Rate/Instrument:	5.70% - SIB	Various - SB	4.75% - RD SB
Purpose:	Street Imp. (Union/Park)	Sewer - EFC	Water (New Main)
Balance Principal 05-31-09:	\$62,000	\$660,000	\$163,300

Fiscal Year	1996		1998A		2000	
<u>Ending May 31:</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2010	\$31,000 *	\$3,534	\$105,000 *	\$30,123	\$5,600	\$7,757
2011	31,000	1,767	105,000	25,109	5,600	7,491
2012			110,000	19,868	5,600	7,225
2013			110,000	14,423	5,600	6,959
2014			115,000	8,749	5,600	6,693
2015			115,000	2,933	5,600	6,427
2016					5,600	6,161
2017					5,600	5,895
2018					5,600	5,629
2019					5,600	5,363
2020					5,600	5,097
2021					5,600	4,831
2022					5,600	4,565
2023					5,600	4,299
2024					5,600	4,033
2025					5,600	3,767
2026					5,600	3,501
2027					5,600	3,235
2028					5,600	2,969
2029					5,600	2,703
2030					5,600	2,427
2031					5,600	2,171
2032					5,600	1,905
2033					5,600	1,639
2034					5,600	1,373
2035					5,600	1,107
2036					5,600	841
2037					5,600	575
2038					6,500	309
Totals:	<u>\$62,000</u>	<u>\$5,301</u>	<u>\$660,000</u>	<u>\$101,205</u>	<u>\$163,300</u>	<u>\$116,946</u>

Note: * Principal Payment made prior to Official Statement dated March 22, 2010.

Status of Outstanding Bond Issues

Year of Issue:	2002	2004	2004
Amount Issued:	\$702,659	\$1,160,700	\$190,940
Last Maturity:	3/1/2031	9/1/2029	10/1/2017
Interest Rate/Instrument:	0% -EFC SIB	Various - Ref. SB	4.375% - SB
Purpose:	Sewer - Westside Phase I	Water	Mary St. Recon.
Balance Principal 05-31-09:	\$541,000	\$850,000	\$130,000

Fiscal Year

<u>Ending May 31:</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2010	\$23,000 *	\$0	\$65,000 *	\$38,859	\$15,000 *	\$5,359
2011	23,000	0	65,000	35,853	15,000	4,703
2012	23,000	0	65,000	32,847	15,000	4,047
2013	23,000	0	65,000	29,841	15,000	3,391
2014	23,000	0	55,000	27,066	15,000	2,734
2015	23,000	0	60,000	24,406	15,000	2,078
2016	23,000	0	65,000	21,516	20,000	1,313
2017	23,000	0	65,000	18,469	20,000	438
2018	23,000	0	65,000	15,381		
2019	23,000	0	65,000	12,294		
2020	23,000	0	65,000	9,125		
2021	23,000	0	15,000	7,125		
2022	24,000	0	15,000	6,375		
2023	24,000	0	15,000	5,625		
2024	24,000	0	15,000	4,875		
2025	24,000	0	15,000	4,125		
2026	24,000	0	15,000	3,375		
2027	29,000	0	15,000	2,625		
2028	29,000	0	15,000	1,875		
2029	29,000	0	15,000	1,125		
2030	29,000	0	15,000	375		
2031	29,000	0				
Totals:	<u>\$541,000</u>	<u>\$0</u>	<u>\$850,000</u>	<u>\$303,156</u>	<u>\$130,000</u>	<u>\$24,063</u>

Note: * Principal Payment made prior to Official Statement dated March 22, 2010.

Status of Outstanding Bond Issues

Year of Issue:	2004	2005	2007
Amount Issued:	\$88,000	\$1,179,653	\$3,216,530
Last Maturity:	12/16/2024	9/23/2035	3/23/2037
Interest Rate/Instrument:	4.25% - RD SB	0% - EFC SB	0% - EFC SB
Purpose:	Municipal Building	Sewer - Eastside	Sewer - Westside Phase II
Balance Principal 05-31-09:	\$70,400	\$1,061,687	\$3,106,530

Fiscal Year Ending May 31:	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2010	\$4,400 *	\$2,899	\$39,322 *	\$0	\$109,530	\$0
2011	4,400	2,712	39,322	0	111,000	0
2012	4,400	2,525	39,322	0	111,000	0
2013	4,400	2,338	39,322	0	111,000	0
2014	4,400	2,151	39,322	0	111,000	0
2015	4,400	1,964	39,322	0	111,000	0
2016	4,400	1,777	39,322	0	111,000	0
2017	4,400	1,590	39,322	0	111,000	0
2018	4,400	1,403	39,322	0	111,000	0
2019	4,400	1,213	39,322	0	111,000	0
2020	4,400	1,029	39,322	0	111,000	0
2021	4,400	842	39,322	0	111,000	0
2022	4,400	655	39,322	0	111,000	0
2023	4,400	468	39,322	0	111,000	0
2024	4,400	251	39,322	0	111,000	0
2025	4,400	94	39,322	0	111,000	0
2026			39,322	0	111,000	0
2027			39,322	0	111,000	0
2028			39,322	0	111,000	0
2029			39,322	0	111,000	0
2030			39,321	0	111,000	0
2031			39,321	0	111,000	0
2032			39,321	0	111,000	0
2033			39,321	0	111,000	0
2034			39,321	0	111,000	0
2035			39,321	0	111,000	0
2036			39,321	0	111,000	0
2037					111,000	0
Totals:	<u>\$70,400</u>	<u>\$23,911</u>	<u>\$1,061,687</u>	<u>\$0</u>	<u>\$3,106,530</u>	<u>\$0</u>

Note: * Principal Payment made prior to Official Statement dated March 22, 2010.

Total Annual Bond Principal and Interest Due

Fiscal Year	Total			
<u>Ending May 31:</u>	<u>Principal</u>	<u>Interest</u>	<u>Debt Service</u>	<u>% Paid</u>
2010	\$397,852	\$88,532	\$486,384	5.99%
2011	399,322	77,635	476,957	12.00%
2012	373,322	66,512	439,834	17.61%
2013	373,322	56,951	430,273	23.23%
2014	368,322	47,393	415,715	28.78%
2015	373,322	37,808	411,130	34.39%
2016	268,322	30,766	299,088	38.43%
2017	268,322	26,391	294,713	42.47%
2018	248,322	22,413	270,735	46.21%
2019	248,322	18,870	267,192	49.94%
2020	248,322	15,251	263,573	53.68%
2021	198,322	12,798	211,120	56.67%
2022	199,322	11,595	210,917	59.67%
2023	199,322	10,392	209,714	62.67%
2024	199,322	9,159	208,481	65.66%
2025	199,322	7,986	207,308	68.66%
2026	194,922	6,876	201,798	71.60%
2027	199,922	5,860	205,782	74.61%
2028	199,922	4,844	204,766	77.61%
2029	199,922	3,828	203,750	80.62%
2030	199,921	2,802	202,723	83.63%
2031	184,921	2,171	187,092	86.42%
2032	155,921	1,905	157,826	88.76%
2033	155,921	1,639	157,560	91.11%
2034	155,921	1,373	157,294	93.45%
2035	155,921	1,107	157,028	95.80%
2036	155,921	841	156,762	98.15%
2037	116,600	575	117,175	99.90%
2038	6,500	309	6,809	100.00%
Totals:	<u>\$6,644,917</u>	<u>\$574,582</u>	<u>\$7,219,499</u>	

Source: Village Bond Records

Schedule of Principal Payments - Outstanding and Proposed Bonds

Fiscal Year Ending May 31:	Prior Issues	This Issue	Total Maturing Principal	Year-End Outstanding Principal
2010	\$397,852	\$0	\$397,852	\$7,442,065
2011	399,322	95,000	494,322	6,947,743
2012	373,322	100,000	473,322	6,474,421
2013	373,322	100,000	473,322	6,001,099
2014	368,322	100,000	468,322	5,532,777
2015	373,322	100,000	473,322	5,059,455
2016	268,322	100,000	368,322	4,691,133
2017	268,322	100,000	368,322	4,322,811
2018	248,322	100,000	348,322	3,974,489
2019	248,322	100,000	348,322	3,626,167
2020	248,322	100,000	348,322	3,277,845
2021	198,322	100,000	298,322	2,979,523
2022	199,322	100,000	299,322	2,680,201
2023	199,322		199,322	2,480,879
2024	199,322		199,322	2,281,557
2025	199,322		199,322	2,082,235
2026	194,922		194,922	1,887,313
2027	199,922		199,922	1,687,391
2028	199,922		199,922	1,487,469
2029	199,922		199,922	1,287,547
2030	199,921		199,921	1,087,626
2031	184,921		184,921	902,705
2032	155,921		155,921	746,784
2033	155,921		155,921	590,863
2034	155,921		155,921	434,942
2035	155,921		155,921	279,021
2036	155,921		155,921	123,100
2037	116,600		116,600	6,500
2038	6,500		6,500	0
Totals:	<u>\$6,644,917</u>	<u>\$1,195,000</u>	<u>\$7,839,917</u>	

Other Obligations

The Village has outstanding an installment purchase debt agreement for equipment. The balance of this agreement as of the fiscal year ending May 31, 2009 was \$80,718.

Trend of Outstanding Debt

	Fiscal Year Ending May 31:				
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Bonds	\$5,243,640	\$4,509,005	\$4,213,003	\$7,038,239	\$7,038,239
Bond Anticipation Notes	4,043,350	0	2,563,000	3,013,000	2,950,000
Total Debt Outstanding	<u>\$9,286,990</u>	<u>\$4,509,005</u>	<u>\$6,776,003</u>	<u>\$10,051,239</u>	<u>\$9,988,239</u>

Source: Annual Financial Reports of the Village

Computation of Debt Limit and Calculation of Net Debt Contracting Margin
(As of March 15, 2010)

<u>Fiscal Year Ending May 31:</u>	<u>Assessed Valuation</u>	<u>State Equalization Rate</u>	<u>Estimated Full Valuation</u>
2006	\$76,300,959	82.00%	\$93,049,950
2007	76,109,410	77.00%	98,843,390
2008	77,266,054	64.00%	120,728,209
2009	84,606,174	57.00%	148,431,884
2010	169,751,752	100.00%	169,751,752
Total (2009-10)	<u>\$484,034,349</u>		<u>\$630,805,185</u>
Average Five Year Full Valuation			\$126,161,037
Debt Limit - 7% of Average Full Valuation			\$8,831,273
Inclusions:			
Outstanding Bonds			\$6,362,195
Bond Anticipation Notes			<u>2,700,000</u>
Total Inclusions			<u>\$9,062,195</u>
Exclusions:			
Sewer Indebtedness ¹			\$4,646,995
Water Indebtedness ²			1,548,300
Budgeted Appropriations ²			<u>155,000</u>
Total Exclusions			<u>\$6,350,295</u>
Total Net Indebtedness ³			<u>\$2,711,900</u>
Net Debt-Contracting Margin			\$6,119,373

Notes: ¹ Excluded pursuant to Section 124.10 of the Local Finance Law by Orders of the State Comptroller dated January 11, 2007, December 17, 2007, and March 31, 2008.

² Water indebtedness and budgeted appropriations are automatically excluded pursuant to provisions of the New York State Constitution and Section 136.00 of the Local Finance Law.

³ Represents 30.71% of the Debt Limit of the Village.

Authorized and Un-Issued Indebtedness

As of the date of this Official Statement the Village has the following authorized but unissued debt:

<u>Date of Authorization</u>	<u>Purpose</u>	<u>Amount Authorized</u>	<u>Amount Unissued</u>
Amended 09-10-07	Improvements to the Former Fire Hall Portion of the Municipal Building	\$900,000	\$900,000
08-11-08	Purchase and Installation of Flow Meters at the Riverside and Union Streets Pump Stations	60,000	60,000
11-09-09	Improvements to the Riverside Drive Pump Station	150,000	150,000

Source: Village Officials

Capital Project Plans and Anticipated Future Borrowings

1. The Village anticipates undertaking a \$4.2 million sewer rehabilitation project within the next year or two. The Village is actively seeking grant funding through United States Department of Agriculture Rural Development and the New York State Environmental Facilities Corporation and elected representatives.
2. The Village anticipates beginning preliminary engineering studies of the water treatment plant to determine the extent of recommended upgrades and repairs to the water distribution system.
3. The Village has received approximately \$300,000 in grant monies to be used to complete Phase II of the Thousand Islands Regional Dock project, including upgrades to Frink Park and an extension of the Riverwalk.

Direct and Overlapping Indebtedness

In addition to the Village, the following political subdivisions have the power to issue bonds and to levy taxes or cause taxes to be levied on taxable real property in the Village.

The real property taxpayers of the Village are responsible for a proportionate share of outstanding debt obligations of the political subdivisions located within the Village's boundaries. Such taxpayer's share of this overlapping debt is based upon the amount of the Village's equalized property values taken as a percentage of each separate units total values. The table below sets forth both the total outstanding principal amount of debt issued by the Village and the appropriate magnitude of the burden on taxable property of the Village of the debt issued and outstanding by such overlapping entities, as of the dates shown.

Calculation of Estimated Overlapping and Underlying Indebtedness

Overlapping Units	Date of Report	Gross Indebtedness	Exclusions ¹	Net Indebtedness	Full Value of Village in Municipality	Total Full Value of Municipality	% Within Village	Estimated Applicable Overlapping Debt
County:								
Jefferson	2009	\$25,392,900	\$137,900	\$25,255,000	\$169,751,752	\$6,926,175,583	2.45%	\$618,748
Town:								
Clayton	2009	1,879,900	0	1,879,900	169,751,752	677,424,132	25.06%	471,103
School District:								
Thousand Island	2009	15,093,092	9,765,231	5,327,861	169,751,752	1,007,236,886	16.85%	<u>897,745</u>
Total Net Overlapping Debt:								\$1,987,596
Total Net Direct Debt:								<u>2,711,900</u>
Net Direct & Overlapping Debt:								<u><u>\$4,699,496</u></u>

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

Note: ¹ Exclusions consist of indebtedness deductible from gross indebtedness for debt limit purposes pursuant to constitutional and statutory provisions (including water and sewer debt and revenue anticipation notes).

Debt Ratios

The following table presents certain debt ratios relating to the Village's direct and overlapping indebtedness as of March 15, 2010:

	<u>Amount</u>	<u>Debt Per Capita</u> ¹	<u>Debt Full Value</u> ²
Net Direct Debt	\$2,711,900	\$1,489.24	1.60%
<u>Total Direct & Applicable Total Overlapping Debt</u>	<u>4,699,496</u>	<u>2,580.72</u>	<u>2.77%</u>

Notes: ¹ The 2000 population of the Village is 1,821 according to the 2000 US Census Bureau.

² The full valuation of real property located in the Village for the 2009 fiscal year is \$169,751,752.

FINANCES OF THE VILLAGE

Financial Statements and Accounting Procedures

The Village maintains its financial records in accordance with the Uniform System of Accounts for Villages prescribed by the State Comptroller. The financial records of the Village are audited by independent accountants. The last such audit made available for public inspection covers the fiscal year ended May 31, 2009. In addition, the financial affairs of the Village are subject to periodic compliance review by the Office of the State Comptroller to ascertain whether the Village has complied with the requirements of various state and federal statutes.

In June, 1999, the Governmental Accounting Standards Board ("GASB") issued Statement 34, "Basic Financial Statements and Management's Discussions and Analysis for State and Local Governments". This Statement established new financial reporting requirements for state and local governments throughout the United States. Statement 34 required new information and restructured much of the information that governments had presented in the past. Comparability with reports issued in all prior years will be affected. GASB required the Village to implement this standard for the fiscal year ending December 31, 2003. The Village has complied with the requirements of GASB Statement 34.

The Statements of Revenues, Expenditures and Changes in Fund Balances presented in Appendix A of this Official Statement are based on the Audited Financial Reports of the Village for the 2005 -- 2009 fiscal years.

Fund Structure and Accounts

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

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

The Village presently maintains the following governmental funds: General Fund, Sewer Fund and the Capital Projects Fund. Fiduciary funds consist of a Trust and Agency Fund. Account groups are maintained for fixed assets and long-term debt.

Basis of Accounting

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

Expenditures are generally recognized under the modified accrual basis of accounting that is when the related fund liability is incurred. An exception to this general rule is un-matured interest on general long-term debt which is recognized when due. Compensated absences, such as vacation and sick leave, which vests or accumulates, are charged as an expenditure when paid.

Investment Policy

The primary objectives of the Village's investment policy are, in priority order, as follows:

- To conform to all applicable federal, state and other legal requirements.
- To adequately safeguard principal.
- To provide sufficient liquidity to meet all operating requirements.
- To obtain a reasonable rate of return on invested funds.

Pursuant to State law, including Sections 10 and 11 of the General Municipal Law (the "GML"), the Village is generally permitted to deposit moneys in banks or trust companies located and authorized to do business in the State. All such deposits, including special time deposit accounts and certificates of deposit, in excess of the amount insured under the Federal Deposit Insurance Act, are required to be secured in accordance with the provisions of and subject to the limitations of Section 10 of the GML.

The Village may also temporarily invest moneys in: (1) obligations of the United States of America; (2) obligations of the State of New York; (3) In Repurchase Agreements involving the purchase and sale of direct obligations of the United States; (4) certificates of Deposit issued by a bank or trust company authorized to do business in New York State; (5) Time Deposit Accounts in a bank or trust company authorized to do business in New York State; (6) in the case of moneys held in certain reserve funds established by the Village pursuant to law, in obligations of the Village.

All funds may be invested in: (1) obligations guaranteed by agencies of the United States of America where the payment of principal and interest are guaranteed by the United States of America; (2) with the approval of the New York State Comptroller, in tax anticipation notes or revenue anticipation notes issued by any municipality, school district, or district corporation, other than those notes issued by the Village, itself.

Only reserve funds may be invested in: (1) Obligations of the Village.

All other Village officials receiving money in their official capacity must turn over such funds to the Chief Fiscal Officer of the Village.

All of the foregoing investments are required to be payable or redeemable at the option of the owner within such times as the proceeds will be needed to meet expenditures for purposes for which the moneys were provided and, in the case of obligations purchased with the proceeds of bonds or notes, shall be payable or redeemable in any event, at the option of the owner, within two years of the date of purchase. Unless registered or inscribed in the name of the Village, such instruments and investments must be purchased through, delivered to and held in custody of a bank or trust company in the State pursuant to a written custodial agreement as provided by Section 10 of the GML.

The Village Board of Trustees has adopted an investment policy and such policy conforms with applicable laws of the State governing the deposit and investment of public moneys. All deposits and investments of the Village are made in accordance with such policy.

Budgetary Procedures

The Village operates on a fiscal year beginning June 1st and ending May 31st. The Village Board of Trustees, with the assistance of the Village Treasurer, prepares a tentative budget no later than March 20th of each fiscal year for the fiscal year commencing the following June 1st and holds a public hearing thereon by April 15th. Subsequent to the budget hearing, revisions, if any, are made and the budget is then adopted by the Village Board of Trustees as its final budget for the coming fiscal year by May 1st. The budget of the Village is not subject to voter approval.

All modifications of the budget must be approved by the governing board.

Financial Operations

The Village Treasurer functions as the chief fiscal officer of the Village as provided by Section 2 of the Local Finance Law: in this role, the Treasurer is responsible for the Village's accounting and financial reporting activities. In addition, the Village Treasurer is the Village's budget officer and must therefore prepare the annual tentative budget for submission to the Village Board of Trustees. Budgetary control during the year is the responsibility of the Treasurer. Pursuant to Section 30 of the Local Finance Law, the Treasurer must execute an authorizing certificate which then becomes a matter of public record.

The Village Board of Trustees, as a whole, serves as the finance board of the Village and is responsible for authorizing, by resolution, all material financial transactions such as operating and capital budgets and bonded debt.

Village finances are operated primarily through the General Fund. All real property taxes and most of the other Village revenues are credited to this fund. Current operating expenditures are paid from this fund subject to available appropriations. All revenues (rents and fees) and expenses of the Natural Gas and Sewer operations are specifically accounted for in these respective funds.

The Village's fiscal year runs from June 1 through May 31 for operating and reporting purposes.

Revenues

The Village receives most of its revenues from real property taxes, and assessments and sales tax proceeds. For the year ending May 31, 2009, real property taxes and assessments accounted for 32.11% and sales tax revenues represented 19.78% of all general fund revenue. State aid made up 4.01% of general fund revenue in the fiscal year ending 2009.

A summary of such revenues and other financing sources for the last five completed fiscal years ending May 31, 2009 and the budget for the fiscal year ending 2010 may be found in Appendix A – Financial Information.

Real Property Taxes

See "Real Property Tax Information", herein.

State Aid

The Village received approximately 4.01% of its total General Fund operating revenue from State aid in 2009. There is no assurance, however, that State appropriations for aid to municipalities will continue, either pursuant to existing formulas or in any form whatsoever. The State is not constitutionally obligated to maintain or continue such aid and, in fact, the State has in the past reduced funding to municipalities and school districts in the last several years in order to balance its own budget.

For 2009, the Village received \$101,295 in its General Fund from all sources of State aid. The Village estimates State aid for fiscal year ending 2010 will be \$118,778 including \$15,000 from the mortgage tax. Based upon State aid allotments provided for in the current State budget adopted for the year commencing April 1, 2009, Village officials expect to receive the amount of State aid included in their fiscal year ending 2010 budget.

Expenditures

The major categories of expenditure for the Village are General Government Support, Public Safety, Transportation, Home and Community Services, Employee Benefits and Debt Service. A summary of the expenditures for the five most recently completed fiscal years ending May 31, 2009 and the estimated expenditures for the 2010 fiscal year may be found in Appendix A – Financial Information.

Pension System

Substantially all employees of the Village are members of the New York State and Local Employees' Retirement System ("ERS") or the New York State Local Police and Fire Retirement System ("PFRS"). (Both Systems are referred

to together hereinafter as the "Retirement Systems" where appropriate.) The ERS and PFRS together are generally also known as the "Common Retirement Fund". The Retirement Systems are cost-sharing multiple public employer retirement systems. The obligation of employers and employees to contribute and the benefit to employees are governed by the New York State Retirement System and Social Security Law (the "Retirement System Law"). The Retirement Systems offer a wide range of plans and benefits which are related to years of service and final average salary, vesting of retirement benefits, death and disability benefits and optional methods of benefit payments. All benefits generally vest after five years of credited service. The Retirement System Law generally provides that all participating employers in each retirement system are jointly and severally liable for any unfunded amounts. Such amounts are collected through annual billings to all participating employers.

Generally, all employees, except certain part-time employees, participate in the Retirement Systems. The Retirement Systems are non-contributory with respect to members hired prior to July 27, 1976. All members hired on or after July 27, 1976 must contribute 3% of gross annual salary, for the first ten years of service, toward the cost of retirement programs.

The following schedule reflects the Village's contribution to the ERS and PFRS for the last five fiscal years and the amount budgeted for fiscal year 2010:

	<u>ERS</u>	<u>PFRS</u>
Budgeted 2010	\$55,750	\$20,000
2009	50,942	19,570
2008	54,500	28,600
2007	44,111	20,206
2006	53,819	17,652
2005	58,634	22,143

Legislation enacted in 2003 changed the cycle of billing to better match budget cycles of the Village and other governmental employers. Under the previous method, the Village was unsure of how much it would be required to pay to the system until after its budget was implemented. The contribution for a given fiscal year is now based on the value of the pension fund on the prior April 1 instead of the following April 1, so the Village is now able to more accurately include the cost of the contribution in its budget. The Village is required to a minimum contribution of 4.50% of payroll every year, including years in which the investment performance of the fund would make a lower contribution possible.

On July 20, 2004 the New York State Legislature passed a bill amending the General Municipal Law, Local Finance Law and the Retirement and Social Security Law. On July 30, 2004, the governor signed the new retirement system legislation into Law as Chapter 260 of the Laws of 2004. The bill moves the annual payment date for contributions from December 15th to February 1st, effective December 15, 2004. It increased, from five to ten years, the maximum amortization period of the portion of employer contributions that exceeded certain percentages of payroll for certain designated years. It also allowed employers to bond for their 2005-2006 and 2006-2007 fiscal year contributions in excess of 9.5% and 10.5% respectively. This amortization may be made with the Retirement System or the Village could issue a maximum of 10 year general obligation bonds, the interest on which would be set at prevailing bond market rates on the date of the sale and would be taxable for federal income tax purposes.

Due to significant capital market declines in the recent past, the State's Retirement System portfolio has experienced negative investment performance and severe downward trends in market earnings. As a result of the foregoing, New York State Comptroller Thomas DiNapoli has announced that the employer contribution rate for the State's Retirement System in 2011 year and subsequent years will be higher than the minimum contribution rate established by Chapter 49. For the year 2011 ERS contributions will be 11.90% and PFRS will be 18.20% of payroll. To mitigate the expected increases in the employer contribution rate, Comptroller DiNapoli has proposed legislation that would permit local governments and schools districts to issue bonds to fund the required increased contribution.

While the Village is aware of the potential negative impact on its budget and will take appropriate steps to budget accordingly for the increase, there can be no assurance that its financial position will not be negatively impacted.

On December 10, 2009, Governor Paterson signed into law pension reform legislation that will provide (according to a Division of the Budget analysis) more than \$35 billion in long-term savings to State taxpayers over the next thirty

years. The legislation creates a new Tier V pension level, the most significant reform of the State's pension system in more than a quarter-century. Key components of Tier V include:

- Raising the minimum age at which most civilians can retire without penalty from 55 to 62 and imposing a penalty of up to 38 percent for any civilian who retires prior to age 62.
- Requiring employees to continue contributing three percent of their salaries toward pension costs so long as they accumulate additional pension credits.
- Increasing the minimum years of service required to draw a pension from five years to 10 years.
- Capping the amount of overtime that can be considered in the calculation of pension benefits for civilians at \$15,000 per year, and for police and firefighters at 15 percent of non-overtime wages.

In accordance with constitutional requirements, these new pension reforms will apply only to public employees hired on or after January 1, 2010.

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

Other Post-Employment Benefits

It should also be noted that the Village does not provide post-employment healthcare benefits to retired employees. Retired employees have the option to continue coverage provided 100% of the premium is paid by the employee. There is no direct Village expenditure for healthcare benefits to retired employees. GASB Statement No. 45 ("GASB 45") of the Governmental Accounting Standards Board ("GASB") requires governmental entities, such as the Village, to account for the cost of certain non-pension post-employment benefits as it accounts for vested pension benefits.

GASB and OPEB. OPEB refers to "other post-employment benefits," and refers to benefits other than pension benefits. OPEB consists primarily of health care benefits, and may include other benefits such as disability benefits and life insurance. Before GASB 45, OPEB costs were generally accounted for and managed.

Recently enacted accounting rule, 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 benefits and other non-pension benefits ("OPEC"), as it accounts for vested pension benefits. OPEB consists primarily of health care benefits, and may include other benefits such as disability benefits and life insurance.

GASB 45 will require municipalities and school districts to account for OPEB liabilities in the same manner as they already account for pension liabilities. It will require them to adopt the actuarial methodologies used for pensions, with adjustments for the different characteristics of OPEB and the fact that most municipalities and school districts have not set aside any funds against this liability. Unlike GASB Statement No. 27, which covers accounting for pensions, GASB 45 does not require municipalities or school districts to report a net OPEB obligation at the start.

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

GASB 45 does not require that the unfunded liability actually be amortized nor that it be advance funded, only that the municipality or school district account for its unfunded accrued liability and its compliance in meeting its ARC.

Actuarial valuation will be required every two years for OPEB plans with more than two hundred members, every three years if there are less than two hundred members.

Additional information about GASB 45 and other accounting rules applicable to municipalities and school districts may be obtained from GASB.

REAL PROPERTY TAX INFORMATION

Real Property Taxes

The Village derives a significant portion of its annual revenue through a direct real property tax. The following table presents the total tax levy tax rates and collection performance for each of the last five fiscal years.

	Tax Levy and Collection Record				
	Fiscal Year Ended May 31:				
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Taxes on Roll	\$692,318	\$689,357	\$729,425	\$835,127	\$973,115
Collected During Year	<u>667,319</u>	<u>668,075</u>	<u>701,526</u>	<u>811,898</u>	<u>931,079</u>
Total Uncollected Taxes *	\$24,999	\$21,282	\$27,899	\$23,229	\$42,036
Percent Collected	96.39%	96.91%	96.18%	97.22%	95.68%

Source: Village Officials

Note: * Uncollected taxes are relieved to County.

Tax Collection Procedure

Taxes are payable to June 30 without penalty. Penalties thereafter are imposed at an annual interest rate determined by the NYS Commissioner of Taxation and Finance. On November 1, uncollected taxes are turned over to the County Treasurer's Office and uncollected taxes and penalties are relieved as part of the County tax levy. The County guarantees to pay the Village the full amount of such uncollected taxes prior to the end of the Village fiscal year in which the tax was levied, thus the Village is assured of 100% tax collection.

	Assessed and Full Valuations				
	Fiscal Year Ending May 31:				
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Assessed Valuations: ¹	\$76,300,959	\$76,109,410	\$77,266,054	\$84,606,174	\$169,975,271
NYS Equalization Rate:	82.00%	77.00%	64.00%	57.00%	100.00%
Full Valuations:	\$93,049,950	\$98,843,390	\$120,728,209	\$148,431,884	\$169,975,271
Net Tax Levy	\$692,318	\$689,357	\$729,425	\$835,127	\$973,115
Tax Rate / \$1000 Assessed Value:	\$9.07	\$9.06	\$9.44	\$9.87	\$5.73

Source: Village Officials

Note: ¹ The assessed valuations and equalization rates here were issued for apportioning tax levies and may not be the same as those required for debt limit purposes.

Constitutional Tax Limit

The Constitution limits the amount that may be raised by the Village *ad valorem* tax levy on real estate in any fiscal year to two per centum (2%) of the five-year average full valuation of taxable real estate of the Village plus (1) the amounts required for principal and interest on all capital indebtedness, and (2) current appropriations for certain capital purposes. The tax limit for the Village for the 2009-10 fiscal year is as follows:

Five Year Average Full Valuation	\$109,627,095
Constitutional Tax Limit: (2%)	2,192,542
Tax Levy General Village Purposes	971,835
Less: Exclusions for Debt and Capital Purposes	399,050
Tax Levy Subject to Debt Limit	572,785
Percentage of Tax Limit Exhausted	26.12%
Constitutional Tax Margin	\$1,619,757

Source: Constitutional Tax Limit Worksheet as submitted to the NYS
Comptroller by the Village.

Ten Largest Taxpayers 2010 Assessment Roll

<u>Name</u>	<u>Type</u>	<u>Estimated Full Valuation</u>
Clayton Housing Associates	Apartment	\$7,980,000
National Grid	Utility	1,976,102
Randazzo Family Trust	Residence	1,529,500
Waterfront Partners LLC	Restaurant/Apartments	1,407,500
Kellog, Jeremy B.	Marina	1,325,500
Rivoli, Sam J.	Marina	1,257,500
Hungerford Family Irrev Trust	Residence/Cottages	1,253,400
Wahl Wilbur Jr.	Marina	1,200,000
Buker Associates, Rex A.	Grocery Store	1,175,400
Macfarlane, John C.	Residence	1,136,400
	Total	\$20,241,302 *

Source: Village Officials

Note: * The above ten taxpayers represent 11.92% of the Village's 2010 full value of \$169,751,752.

LITIGATION

In common with other local government and school districts, the Village from time to time receives notices of claim and is party to litigation. In the opinion of the Village, after consultation with its attorney, unless otherwise set forth herein and apart from matters provided for by applicable insurance coverage, there are no significant claims or actions pending in which the Village has not asserted a substantial and adequate defense, nor which, if determined against the Village, would have an adverse material effect on the financial condition of the Village.

BONDHOLDER RISKS

There are various forms of risk associated with investing in the Bonds. One such risk is that the Village will be unable to promptly pay interest and principal on the Bonds as they become due (see "Remedies Upon Default", herein).

If a Bondholder elects to sell his or her investment prior to its scheduled maturity date, market access or price risk may be incurred. The following is a discussion of certain events that could affect the risk of investing in the Bonds. In addition, there may be other risk factors which a potential investor must consider. In order to make an informed investment decision, an investor should be thoroughly familiar with the entire Official Statement, including its appendices, as well as all areas of potential risk.

There are a number of factors which could have a detrimental effect on the ability of the Village to continue to generate revenues, particularly its property taxes. For instance, the termination of a major commercial enterprise or an unexpected increase in certiorari proceedings could result in a large reduction in the assessed valuation of taxable real property in the Village.

The subprime mortgage crisis and various economic events growing out of it have created massive disruptions in the U.S. and global credit and securities markets, and the health of those markets has been impaired to the point where significant governmental intervention has been deemed necessary. These developments are projected to have significant adverse effects on the finances of New York State, on which the Village depends for State aid. The exact impact on the Village cannot be predicted, but it will in all likelihood be negative and could persist for a significant period of time.

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

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

TAX EXEMPTION

In the opinion of Hrabchak, Gebo & Langone, P.C., of Watertown, New York, Bond Counsel, under existing law, the interest on the Bonds is excluded from gross income of the owners thereof for federal income tax purposes, and is not an "item of tax preference" for purposes of the individual and corporate alternative minimum taxes imposed by the Internal Revenue Code of 1986, as amended (the "Code"). However, it should be noted that (1) the Village, by failing to comply with certain restrictions contained in the Code, may cause interest on the Bonds to become subject to federal income taxation from the date of issuance of the Bonds, and (2) interest on the Bonds earned by foreign corporations doing business in the United States could be subject to the branch profits tax imposed by Section 884 of the Code. Interest on the Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York).

In rendering the foregoing opinions, Hrabchak, Gebo & Langone, P.C. noted that the exclusion of the interest on the Bonds from gross income for federal income tax purposes is subject to, among other things, continuing compliance by the Village with the applicable requirements of Sections 141, 148 and 149 of the Code and the regulations promulgated thereunder (collectively, the "Tax Requirements"). In the opinion of Hrabchak, Gebo & Langone, P.C., the tax certificate that will be executed and delivered by the Village in connection with the issuance of the Bonds (the "Tax Certificate") establishes requirements and procedures, compliance with which will satisfy the Tax Requirements applicable to the Bonds.

The Tax Requirements referred to above, which must be complied with in order that interest on the Bonds remains excluded from gross income for federal income tax purposes, include, but are not limited to:

- (1) The requirement that the proceeds of the Bonds be used in a manner so that the Bonds are not obligations which meet the definition of a "private activity bond" within the meaning of Section 141 of the Code.

- (2) The requirements contained in Section 148 of the Code relating to arbitrage bonds.
- (3) The requirements that payment of principal or interest on the Bonds not be directly or indirectly guaranteed (in whole or in part) by the United States (or any agency or instrumentality thereof) as provided in Section 149(b) of the Code.

In the Tax Certificate that will be delivered in connection with the issuance of the Bonds, the Village has covenanted to comply with the Tax Requirements, and refrain from taking any action which would cause the interest on the Bonds to be includable in gross income for federal income tax purposes. Any violation of the Tax Requirements may cause the interest on the Bonds to be included in gross income for federal income tax purposes from the date of issuance of the Bonds. Hrabchak, Gebo & Langone, P.C., Bond Counsel, expresses no opinion regarding other federal tax consequences arising with respect to the Bonds.

The interest on the Bonds is subject to, among others, the following provisions contained in the Code:

- (1) Interest on the Bonds is not an "item of tax preference" for purposes of the individual and corporate alternative minimum taxes imposed by the Code.
- (2) If the Bonds are held by certain foreign corporations doing business in the United States, the interest on the Bonds will be included in "effectively connected earnings and profits" for purposes of computing a branch profits tax of up to 30%.
- (3) A property casualty insurance company's deduction for the losses incurred will be reduced by 15% of the income received from tax-exempt obligations.
- (4) The United States Treasury Department has promulgated regulations which might have the effect of imposing a tax at ordinary income rates with respect to interest on the Bonds owned by "S Corporations" in certain cases.
- (5) In addition, the Bonds will constitute "qualified tax-exempt obligations" within the meaning of the Code, and if the Bonds are held by a financial institution, a portion of the interest expense allocable to Bonds will be deductible for federal income tax purposes.

Under the Code, the benefits of the exclusion of the interest on the Bonds from gross income for federal income tax purposes may be diminished by operation of certain provisions of the Code which affect recipients of Social Security and railroad retirement benefits.

Each purchaser of the Bonds should consult his or her tax advisor regarding the impact of the foregoing and other provisions of the Code on his or her individual tax position.

Amendments to Code could reduce or eliminate the favorable tax treatment granted to municipal debt, including the Bonds and other debt issued by the Village. Any such future legislation would have an adverse effect on the market value of the Bonds.

DOCUMENTS ACCOMPANYING DELIVERY OF THE BONDS

Absence of Litigation

Upon delivery of the Bonds, the Village will furnish certificates, dated the date of delivery of the Bonds, respectively to the effect that there is no controversy or litigation of any nature pending or threatened to restrain or enjoin the issuance, sale, execution, or delivery of the Bonds, or in any way contesting or affecting the validity of the Bonds or any of the proceedings taken with respect to the issuance and sale thereof or the application of moneys to the payment of the Bonds. Additional certificates will state that there is no controversy or litigation of any nature now pending or threatened by or against the Village wherein an adverse judgment or ruling could have a material adverse impact on the

financial condition of the Village or adversely affect the power of the Village to levy, collect, and enforce the collection of taxes or other revenues for the payment of the Bonds, which has not been disclosed in this Official Statement.

Legal Matters

The legality of the authorization and issuance of the Bonds will be covered by the legal opinion of Hrabchak, Gebo & Langone, P.C., of Watertown, New York, Bond Counsel. Such legal opinion will state that in the opinion of Bond Counsel (i) the Bonds have been authorized and issued in accordance with the Constitution and statutes of the State of New York and constitute valid and legally binding general obligations of the Village, are payable as to principal and interest from *ad valorem* taxes levied upon all the taxable real property within the Village, without limitation as to rate or amount; provided, however, that the enforceability (but not the validity) of the Bonds may be limited or otherwise affected by (a) any applicable bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium or similar statute, rule, regulation or other law affecting the enforcement of creditors' rights and remedies heretofore or hereafter enacted or (b) by the unavailability of equitable remedies or the application thereto of equitable principles, (ii) assuming that the Village complies with certain requirements of the Code, interest on the Bonds (a) is excluded from gross income for federal income tax purposes and (b) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations and (iii) assuming that the Village complies with certain requirements of the Code, interest on the Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof, including The City of New York. Bond Counsel will express no opinion regarding other federal income tax consequences arising with respect to the Bonds.

Such legal opinion also will state that (i) in rendering the opinions expressed therein, Bond Counsel has assumed, without inquiry or other investigation, (a) the legal capacity of each natural person, (b) the full power and authority of each person other than the Village to execute and deliver certain documents and to perform certain acts, (c) no modification of any provision of any document, no waiver of any right or remedy and no exercise of any right or remedy other than in a commercially reasonable and conscionable manner and in good faith, (d) the genuineness of each signature, the completeness of each document submitted to Bond Counsel, the authenticity of each document submitted to Bond Counsel as an original, the conformity to the original of each document submitted to Bond Counsel as a copy and the authenticity of the original of each document submitted to Bond Counsel as a copy, (e) the accuracy on the date of this letter of certain reviewed documents, (f) the truthfulness of each statement as to any factual matter contained in such reviewed documents, and (g) the due and timely filing of certain filed documents; (ii) the scope of Bond Counsel's engagement in relation to the issuance of the Bonds has extended solely to rendering the opinions expressed therein, (iii) the opinions expressed therein are not intended and should not be construed to express or imply any conclusion that the amount of real property subject to taxation within the boundaries of the Village, together with other legally available sources of revenue, if any, will be sufficient to enable the Village to pay the principal of and interest on the Bonds as the same respectively become due and payable, and (iv) no opinion is expressed by Bond Counsel as to whether the Village, in connection with the sale of the Bonds, has made any untrue statement of a material fact, or omitted to state a material fact necessary in order to make any statements made, in the light of the circumstances under which they were made, not misleading.

UNDERTAKING REGARDING MATERIAL EVENT NOTICES AND FINANCIAL INFORMATION AND OPERATING DATA

Because at the time of the delivery of the Bonds, the Village will be an "obligated person" (as such is defined in Rule 15c2-12 (the "Rule")), the Village has agreed for the benefit of the beneficial owners of the Bonds to provide to the Electronic Municipal Market Access ("EMMA") system established by the Municipal Securities Rulemaking Board (the "MSRB") currently at <http://www.emma.msrb.org>, or such other similar system established and operated by the MSRB, in an electronic format as prescribed by the MSRB, certain customarily prepared and publicly available financial information and operating data relating to the Village (the "annual information") for the preceding fiscal year on or prior to the later of either the end of the sixth month of each succeeding fiscal year, if audited financial statements are prepared, sixty days following receipt by the Village of audited financial statements for the preceding fiscal year, but in no event, later than the last business day of each such succeeding fiscal year.

The Village's undertaking with respect to material events includes timely notice of the occurrence of any of the following events with respect to the Bonds, if material:

- (a) principal and interest payment delinquencies
- (b) non-payment related defaults
- (c) unscheduled draws on debt service reserves reflecting financial difficulties
- (d) unscheduled draws on credit enhancements reflecting financial difficulties
- (e) substitution of credit or liquidity providers, or their failure to perform
- (f) adverse tax opinions or events affecting the tax-exempt status of the Bonds
- (g) modifications to rights of Bondholders
- (h) bond calls
- (i) defeasances
- (j) release, substitution, or sale of property securing repayment of the Bonds
- (k) rating changes

All documents provided by the MSRB shall be accompanied by identifying information as prescribed by the MSRB.

The Village has agreed to the foregoing undertakings in order to assist participating underwriters of the Bonds and brokers, dealers and municipal securities dealers in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) promulgated under the Securities Exchange Act of 1934. The Village will provide the foregoing information for so long as the Rule is applicable to the Bonds and the Village remains an "obligated person" under the Rule with respect to the Bonds. No provision of the bond resolution limits the remedies available to any beneficial owner of the Bonds with respect to the enforcement of the continuing disclosure covenants of the Village described above. Failure to comply with the continuing disclosure covenants will not constitute an event of default with respect to the Bonds.

The Village may amend the continuing disclosure undertaking upon a change in circumstances provided that (a) the undertaking, as amended, would have complied with the requirements of the Rule at the time of this offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances and (b) in the opinion of nationally recognized bond counsel selected by the Village, the amendment does not materially impair the interests of the beneficial owners of the Bonds.

Annual information and notices of material events can be obtained from the Village of Clayton, 100 Main Street, Clayton, NY 14075, telephone 716-649-0200.

A Continuing Disclosure Undertaking Certificate to this effect shall be provided to the purchaser at closing.

The Village is in compliance with all prior undertakings pursuant to the Rule.

RATING

An application has been made to Standard & Poor's, Inc. for a rating assignment on the Bonds. Such rating will be indicated on the revised cover page of the Official Statement. Such rating will reflect only the view of such rating agency and any desired explanation of the significance of such rating should be obtained from such rating agency. Generally, rating agencies base their ratings on rating investigation, studies and assumptions they have made in addition to the information and materials provided by the issuer. There is no assurance that a particular rating will apply for any given period of time or that it will be lowered or withdrawn entirely if, in the judgment of the agency originally establishing the rating, circumstances so warrant. Any downward revision or withdrawal of such rating could have an

adverse effect on the market price of the Bonds. Such rating should not be taken as a recommendation to buy or hold the Bonds.

FINANCIAL ADVISOR

Municipal Solutions, Inc. has assisted the Village as financial advisor in certain matters with respect to the sale and issuance of the Bonds.

ADDITIONAL INFORMATION

Additional information may be obtained upon request from the office of the Treasurer, 425 Mary Street, Clayton, New York 13624, telephone number 315-686-5552 or from the office of Municipal Solutions, Inc., 2528 State Route 21, Canandaigua, New York 14424, telephone number 585-394-4090, fax number 585-394-4092, and website at: <http://www.municipalsolution.com>.

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 Village and the original purchasers or holders of any of the Bonds.

This Official Statement is submitted only in connection with the sale of the Bonds by the Village and may not be reproduced or used in whole or in part for any other purpose.

So far as any statements made in this Official Statement, and the documents included by specific reference, that are not historical facts are forward-looking statements, which are based on the Village's management's beliefs as well as assumptions made by, and information available to, the Village management and staff. Because the statements are based on expectations about future events and economic performance and are not statements of fact, actual results may differ materially from those projected. Important factors that could cause future results to differ include legislative and regulatory changes, changes in the economy, and other factors discussed in this and other documents that the Village files with the repositories. When used in Village documents or oral presentations, the words "anticipate", "estimate", "expect", "objective", "projection", "forecast", "goal", or similar words are intended to identify forward-looking statements.

Municipal Solutions, Inc. will place a copy of this Official Statement on its website: <http://www.municipalsolution.com>. Unless the Official Statement specifically indicated otherwise, no statement on such website is included by specific reference or constitutes a part of this Official Statement. Municipal Solutions, Inc. 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 Village nor Municipal Solutions, Inc. assumes any liability or responsibility for errors or omissions on such website. Further, Municipal Solutions, Inc., and the Village 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. Municipal Solutions, Inc. and the Village also assume no liability or responsibility for any errors or omissions or for any updates to dated website information.

VILLAGE OF CLAYTON

March 22, 2010
Clayton, New York

By: s/s Geneva Phelps Miller
Village Treasurer and Chief Fiscal Officer

Additional copies of the Notice of Sale and Official Statement may be obtained upon request from the office of Municipal Solutions, Inc., 2528 State Route 21, Canandaigua, New York 14424, telephone (585) 394-4090.
Website: www.municipalsolution.com

APPENDIX A

FINANCIAL INFORMATION

Statement of Revenues, Expenditures and Fund Balances
General Fund - Village of Clayton

	Fiscal Year Ending May 31:				
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Revenues:					
Real Property Taxes	\$704,190	\$689,337	\$687,632	\$727,784	\$811,898
Real Property Tax Items	112,727	120,717	120,499	121,229	833,243
Non-Property Tax Items	439,374	493,704	525,659	551,439	543,018
Departmental Income	52,548	49,503	255,577	47,376	45,414
Intergovernmental Charges	24,841	25,944	27,821	31,264	29,751
Use of Money and Property	26,266	8,752	19,868	26,306	21,846
Licenses & Permits	1,035	478	790	725	620
Fines & Forfeitures	4,945	3,305	8,368	7,341	8,782
Sale of Property & Comp. for Loss	7,848	997	10,842	8,733	2,867
Miscellaneous	21,448	26,646	68,213	13,698	5,180
State Aid	72,909	51,838	62,542	78,423	101,295
Interfund Transfers	52,500	20,000	92,959	92,253	124,750
Total Revenues	<u>\$1,520,631</u>	<u>\$1,491,221</u>	<u>\$1,880,770</u>	<u>\$1,706,571</u>	<u>\$2,528,664</u>
Expenditures:					
General Governmental Support	\$252,304	\$276,830	\$266,240	\$398,938	\$977,400
Public Safety	186,101	235,792	212,483	205,553	232,956
Transportation	318,923	347,379	419,864	392,473	510,161
Economic Assistance & Opportunity	21,066	22,575	20,825	21,575	33,000
Culture & Recreation	110,536	103,475	77,352	75,314	112,059
Home & Community Service	11,070	15,160	23,370	22,774	51,682
Employee Benefits	224,527	224,251	239,412	273,668	290,395
Debt Service	228,924	96,278	88,688	86,088	182,346
Interfund Transfers	66,500	34,000	306,959	106,253	138,000
Total Expenditures	<u>\$1,419,951</u>	<u>\$1,355,740</u>	<u>\$1,655,193</u>	<u>\$1,582,636</u>	<u>\$2,527,999</u>
Excess (Deficit) Revenues					
Over Expenditures	\$100,680	\$135,481	\$225,577	\$123,935	\$665
Net Adjustments to Fund Balances	10,133	10,207	(1)	(202)	(20)
Fund Balance Beg. of Fiscal Year	<u>534,560</u>	<u>645,373</u>	<u>791,061</u>	<u>1,016,637</u>	<u>1,140,370</u>
Fund Balance End of Fiscal Year	<u>\$645,373</u>	<u>\$791,061</u>	<u>\$1,016,637</u>	<u>\$1,140,370</u>	<u>\$1,141,015</u>

Source: Annual Financial Reports of the Village
This table NOT audited

Statement of Revenues, Expenditures and Fund Balances
Water Fund - Village of Clayton

	Fiscal Year Ending May 31:				
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Revenues:					
Departmental Income	\$321,378	\$380,057	\$371,482	\$412,520	\$425,120
Use of Money and Property	17,055	17,613	20,152	25,709	25,509
Interfund Transfers	<u>29,250</u>	<u>0</u>	<u>42,000</u>	<u>59,000</u>	<u>43,500</u>
Total Revenues	<u>\$367,683</u>	<u>\$397,670</u>	<u>\$433,634</u>	<u>\$497,229</u>	<u>\$494,129</u>
Expenditures:					
General Governmental Support	\$9,817	\$19,850	\$782	\$24,775	\$9,381
Home & Community Service	122,552	202,931	205,816	168,146	184,558
Employee Benefits	22,438	23,661	27,047	24,263	29,648
Debt Service	114,709	125,190	127,033	123,761	135,862
Interfund Transfers	<u>39,250</u>	<u>10,000</u>	<u>52,000</u>	<u>69,000</u>	<u>53,500</u>
Subtotal: Expenditures	<u>\$308,766</u>	<u>\$381,632</u>	<u>\$412,678</u>	<u>\$409,945</u>	<u>\$412,949</u>
Excess (Deficit) Revenues					
Over Expenditures	\$58,917	\$16,038	\$20,956	\$87,284	\$81,180
Net Adjustments to Fund Balances	(5,806)	3,885	1,144	537	0
Fund Balance Beg. of Fiscal Year	<u>134,365</u>	<u>187,476</u>	<u>207,399</u>	<u>229,499</u>	<u>317,320</u>
Fund Balance End of Fiscal Year	<u>\$187,476</u>	<u>\$207,399</u>	<u>\$229,499</u>	<u>\$317,320</u>	<u>\$398,500</u>

Source: Annual Financial Reports of the Village
This table NOT audited

Statement of Revenues, Expenditures and Fund Balances
Sewer Fund - Village of Clayton

	Fiscal Year Ending May 31:				
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Revenues:					
Departmental Income	\$253,536	\$308,279	\$317,088	\$351,058	\$434,974
Intergovernmental Charges	350,610	354,450	356,553	344,803	401,269
Use of Money and Property	704	(101)	4,629	2,721	4,986
Miscellaneous	15	0	0	50	0
Interfund Transfers	0	0	5,000	30,000	5,000
Total Revenues	<u>\$604,865</u>	<u>\$662,628</u>	<u>\$683,270</u>	<u>\$728,632</u>	<u>\$846,229</u>
Expenditures:					
General Governmental Support	\$14,316	\$66,094	\$9,306	\$32,386	\$59,449
Home & Community Service	288,594	365,608	370,132	373,679	365,649
Employee Benefits	43,153	45,219	45,862	48,524	54,860
Debt Service	183,269	156,687	187,744	183,962	292,419
Interfund Transfers	10,000	10,000	15,000	40,000	15,000
Subtotal: Expenditures	<u>\$539,332</u>	<u>\$643,608</u>	<u>\$628,044</u>	<u>\$678,551</u>	<u>\$787,377</u>
Excess (Deficit) Revenues					
Over Expenditures	\$65,533	\$19,020	\$55,226	\$50,081	\$58,852
Net Adjustments to Fund Balances	(44,985)	463	58,810	5,645	0
Fund Balance Beg. of Fiscal Year	<u>(19,753)</u>	<u>795</u>	<u>20,278</u>	<u>134,314</u>	<u>190,040</u>
Fund Balance End of Fiscal Year	<u>\$795</u>	<u>\$20,278</u>	<u>\$134,314</u>	<u>\$190,040</u>	<u>\$248,892</u>

Source: Annual Financial Reports of the Village
This table NOT audited

Balance Sheet
Village of Clayton
Fiscal Year Ending May 31, 2009

	General Fund	Water Fund	Sewer Fund
Assets:			
Cash	\$207,589	\$104,255	\$228,939
Due From Other Funds	630,563	70670	203620
Other Receivables	0	2124	1901
Due From Other Governments	3,913	0	0
Restricted Assets	<u>305,186</u>	<u>221462</u>	<u>52745</u>
Total Assets:	<u><u>\$1,147,251</u></u>	<u><u>\$398,511</u></u>	<u><u>\$487,205</u></u>
Liabilities & Fund Balances:			
Liabilities	<u>\$5,702</u>	<u>\$0</u>	<u>\$238,263</u>
Total Liabilities	<u><u>\$5,702</u></u>	<u><u>\$0</u></u>	<u><u>\$238,263</u></u>
Fund Equity:			
Special Reserves	\$305,186	\$221,462	\$52,745
Encumbrances	0	19,310	0
Unreserved - Unappropriated	<u>836,363</u>	<u>157,739</u>	<u>196,197</u>
Total Fund Equity	<u><u>\$1,141,549</u></u>	<u><u>\$398,511</u></u>	<u><u>\$248,942</u></u>
Total Liabilities and Fund Equity	<u><u>\$1,147,251</u></u>	<u><u>\$398,511</u></u>	<u><u>\$487,205</u></u>

Source: Annual Financial Reports of the Village

This table NOT audited

Budget Summaries
Village of Clayton
Fiscal Year Ending May 31, 2010

	General <u>Fund</u>	Water <u>Fund</u>	Sewer <u>Fund</u>
Revenues:			
Real Property Taxes	\$973,115	\$0	\$0
Other Tax Items	10,325	0	0
Non-Property Tax Items	486,000	0	0
Departmental Income	50,850	431,000	444,000
Intergovernmental Charges	22,197	0	407,070
Use of Money & Property	6,000	20,340	1,997
Licenses and Permits	750	0	0
Fines and Forfeitures	6,500	0	0
Sale of Property & Compensation for Loss	500	0	0
State Aid	118,778	0	0
Interfund Transfers	47,750	0	0
Use of Fund Balance	124,454	41,491	0
Total Revenues	<u><u>\$1,847,219</u></u>	<u><u>\$492,831</u></u>	<u><u>\$853,067</u></u>
Expenditures:			
General Support	\$283,833	\$31,000	\$97,100
Public Safety & Health	275,577	0	0
Transportation	546,150	0	0
Economic Assistance & Opportunity	35,000	0	0
Culture and Recreation	143,209	0	0
Home and Community Services	54,750	215,931	374,515
Employee Benefits	299,700	45,000	47,700
Debt Service	141,500	143,400	313,752
Interfund Transfers	67,500	57,500	20,000
Total Expenditures	<u><u>\$1,847,219</u></u>	<u><u>\$492,831</u></u>	<u><u>\$853,067</u></u>

Source: Adopted Budget of the Village

This table NOT audited

RATING

Standard & Poor's has assigned the Village an underlying rating of A+/Stable. Such rating will reflect only the view of such rating agency and any desired explanation of the significance of such rating should be obtained from such rating agency as follows: Standard & Poor's Credit Market Services, 55 Water Street, 38th Floor, New York, New York, 10041, (212) 438-2118. Generally, rating agencies base their ratings on rating investigation, studies and assumptions they have made in addition to the information and materials provided by the issuer. There is no assurance that a particular rating will apply for any given period of time or that it will not be lowered or withdrawn entirely if, in the judgment of the agency originally establishing the rating, circumstances so warrant. Any downward revision or withdrawal of such rating could have an adverse effect on the market price of the Bonds. Such rating should not be taken as a recommendation to buy or hold the Bonds.