

NOTICE OF BOND SALE

\$1,938,499

CITY OF TONAWANDA
ERIE COUNTY, NEW YORK
PUBLIC IMPROVEMENT SERIAL BONDS, 2011

(BOOK-ENTRY-ONLY BONDS) (DESIGNATED/BANK QUALIFIED)

Dated Date: June 16, 2011
Closing Date: June 16, 2011
Maturity Dates: June 15, 2012-2020, inclusive
Sale Date: May 26, 2011
Bids Accepted Until: 11:30 A.M. (Prevailing Time)
Location: Municipal Solutions, Inc.
2528 State Route 21
Canandaigua, New York 14424

Sealed proposals will be received and considered by the undersigned City Treasurer (or such Treasurer's designated agent) of the City of Tonawanda, Erie County, New York (the "City") as outlined above for the purchase of \$1,938,499 Public Improvement Serial Bonds, 2011, of the City (the "Bonds"). Proceeds of the Bonds in the amount of \$1,885,249, along with available funds of the City in the amount of \$272,751, will be used to redeem and retire an outstanding bond anticipation note of the City that was issued to finance various public improvements within the City. The balance of the proceeds in the amount of \$53,250 will provide new money for certain of those same public improvements, as well as a new improvement that was not previously financed.

The Bonds will be valid and legally binding general obligations of the City, for the payment of which the City has pledged its faith and credit. All the taxable real property in the City will be subject to the levy of *ad valorem* real estate taxes to pay the principal of the Bonds and the interest thereon, without limitation as to rate or amount. The New York State Constitution requires the City to pledge its faith and credit for the payment of the principal of the Bonds and the interest thereon, and to make annual appropriations for the amounts required for the payment of such interest and the redemption of the Bonds. The Constitution also provides that if at any time the appropriating authorities fail to make the required appropriations for the annual debt service on the Bonds and certain other obligations of the City, a sufficient sum shall be set apart from the first revenues thereafter received and shall be applied for such purposes. The City Treasurer may be required to set apart and apply such revenues as aforesaid at the suit of any holder of the Bonds.

The Bonds are payable in annual installments on June 15 in each year as follows:

MATURITIES

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2012	\$368,499	2017	\$140,000
2013	305,000	2018	140,000
2014	285,000	2019	140,000
2015	205,000	2020	150,000
2016	205,000		

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

The Bonds will be dated June 16, 2011, will mature on June 15 in the years and amounts stated above and will bear interest payable June 15, 2012, December 15, 2012 and semi-annually thereafter on June 15 and December 15 of each year until maturity. The record date of the Bonds will be the last business day of the calendar month preceding an interest payment date. The Bonds will be issued in registered form by means of a book-entry system with no physical distribution of bond certificates made to the public. One bond certificate for each maturity will be issued to the Depository Trust Company, New York, New York or its nominee (“DTC”) and will be immobilized in its custody. The book-entry system will evidence ownership of the Bonds in the principal amount of \$5,000, or any integral multiple thereof (except for one Bond of an odd denomination maturing June 15, 2012), with transfer of ownership effected on the records of DTC and its participants pursuant to rules and procedures established by DTC and its participants. The successful bidder, as a condition to delivery of the Bonds, shall be required to deposit the bond certificates with DTC, registered in the name of Cede & Co., its nominee, to be held in trust until maturity. Interest on the Bonds and the principal of the Bonds will be payable to DTC or its nominee as registered owner of the Bonds. Transfer of principal and interest payments to participants of DTC will be the responsibility of DTC; transfer of principal and interest payments to beneficial owners of the Bonds by participants of DTC will be the responsibility of such participants and other nominees of beneficial owners. The City will not be responsible or liable for such transfer of payments or for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants.

THE BONDS WILL BE DESIGNATED AS “QUALIFIED TAX-EXEMPT OBLIGATIONS” PURSUANT TO SECTION 265(B)(3) OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE “CODE”).

Each proposal must be for all of the Bonds and may state different rates of interest for Bonds maturing in different calendar years, provided, however, that (i) only one rate of interest may be bid for all Bonds maturing in any one calendar year, (ii) variations in rates of interest so bid shall be in ascending progression in order of maturity so that the rate of interest on Bonds maturing in any particular calendar year shall not be less than the rate of interest applicable to Bonds maturing in any prior calendar year and (iii) all rates of interest bid must be stated in a multiple of one-eighth or one-hundredth of one percentum per annum. No proposed purchase price may be less than the par value of the principal amount of the Bonds. No proposal for less than all of

the Bonds will be considered. Each successful bidder shall be obligated to pay the price bid plus accrued interest, if any, on the Bonds from June 16, 2011 to the date of delivery.

Each proposal must be enclosed in a sealed envelope and should be marked on the outside "Proposal for \$1,938,499 Public Improvement Serial Bonds, 2011", and be addressed as follows to the Sale Officer, viz.: Joseph M. Hogenkamp, City Treasurer of the City of Tonawanda, c/o Municipal Solutions, Inc., 2528 State Route 21, Canandaigua, New York 14424. As a condition precedent to the consideration of a proposal, a good faith deposit (the "Deposit") in the form of a certified or cashier's check or wire transfer in the amount of \$38,770 payable to the order of the City is required. If a check is used, it must be drawn upon an incorporated bank or trust company to the order of "City of Tonawanda" and must accompany the bid. If a wire transfer is used, it must be sent to the account so designated by the City for such purpose, not later than 10:30 A.M. on the date of the sale and the wire transfer reference number must be provided on the "Proposal For Bonds" when the bid is submitted. Bidders are instructed to contact Municipal Solutions, Inc., 2528 State Route 21, Canandaigua, New York 14424 (Telephone number: 585-394-4090, Fax number: 585-394-4092), the City's financial advisor, no later than 24 hours prior to the bid opening to obtain the City's wire instructions. No interest on the Deposit will accrue to the Purchaser. The Deposit will be applied to the purchase price of the Bonds. The check or wire transfer deposited by the bidder to whom the Bonds are awarded will be retained by the City and the amount thereof will be applied as provided by law. No interest will be allowed upon the Deposit. The right is reserved to reject any or all bids, and except as hereinafter provided, any bid not complying with the terms of this notice may be rejected.

Unless all bids are rejected, the Bonds will be awarded to the bidder complying with the terms of sale and offering to purchase the Bonds at such rate or rates of interest as will produce the lowest net interest cost computed in accordance with the net interest cost method of calculation, that being the rate or rates of interest which will produce the least interest cost over the life of the Bonds, after accounting for the premium offered, if any. In the event the City receives two or more bids specifying the same lowest net interest cost, then the successful bidder shall be selected by the City Treasurer by lot from among all such bidders. Notwithstanding anything herein to the contrary, the City reserves the right to waive any technical defects, omissions or other deficiencies in the form of any proposal submitted for consideration.

Award of the Bonds to a successful bidder, or rejection of any bids, is expected to be made promptly after opening of the bids, but a successful bidder may not withdraw its proposal until after 5:00 o'clock P.M. (Prevailing Time) on the day of such bid-opening and then only if such award has not been made prior to the withdrawal.

If the Bonds qualify for the issuance of any policy of municipal bond insurance or commitment therefor at the option of a bidder, the purchase of any such insurance policy or the issuance of any such commitment therefor shall be at the sole option and expense of such bidder and any increased costs of issuance of the Bonds resulting by reason of the same, unless otherwise paid, shall be paid by such bidder. Any failure of the Bonds to be so insured or of any such policy of insurance to be issued, shall not constitute cause for a failure or refusal by the purchaser of the Bonds to accept delivery of and pay for the Bonds in accordance with the terms of this Notice of Bond Sale.

The Bonds must be paid for in Federal Funds or other funds available for immediate credit in New York, New York on or about June 16, 2011, or at such other place and time as may be agreed upon with the successful bidder.

THE CITY RESERVES THE RIGHT TO CHANGE THE DATE AND TIME FOR THE OPENING OF BIDS. NOTICE OF ANY SUCH CHANGE SHALL BE PROVIDED NOT LESS THAN ONE HOUR PRIOR TO THE TIME SET FORTH ABOVE FOR THE OPENING OF BIDS BY MEANS OF A SUPPLEMENTAL NOTICE OF BOND SALE DISSEMINATED VIA TM3. IN ADDITION, SUCH NOTICE SHALL BE GIVEN TO THE NEWS MEDIA AND SHALL BE POSTED IN ONE OR MORE DESIGNATED PUBLIC LOCATIONS WITHIN THE CITY AT LEAST ONE HOUR PRIOR TO THE TIME AND DATE SET FOR THE OPENING OF BIDS.

In the event that prior to the delivery of the Bonds, the income received by owners from bonds of the same type and character becomes includable in the gross income of such owners for federal income tax purposes, the successful bidder may, at its election, be relieved of its obligations hereunder to purchase the Bonds, and in such case, the Deposit accompanying its bid will be returned.

The population of the City is approximately 15,130 (per 2010 U.S. Census). The debt statement to be filed pursuant to Section 109.00 of the Local Finance Law in connection with the sale of the Bonds, prepared as of May 9, 2011, will show the average five-year full valuation of real property subject to taxation by the City to be \$588,163,891, the debt limit of the City to be \$41,171,472 and the total net indebtedness of the City (after factoring in applicable exclusions) to be \$8,447,249 (prior to the issuance of the Bonds). The City's issuance of the Bonds will increase its total net indebtedness by \$53,250. The City is also issuing (contemporaneously with the issuance of the Bonds) \$2,335,000 of "new money" bond anticipation notes that will further increase the City's total net indebtedness (by that amount).

CUSIP identification numbers will be printed on the Bonds if Bond Counsel is provided with such numbers by the close of business on the date of sale of the Bonds, but neither the failure to print such number on any Bond nor any error with respect thereto shall constitute cause for a failure or refusal by the purchaser thereof to accept delivery of and pay for the Bonds in accordance with the terms of the purchase contract. All expenses in relation to the printing of CUSIP numbers on the Bonds shall be paid for by the City, provided, however, that the CUSIP Service Bureau charge for the assignment of CUSIP numbers shall be the responsibility of and shall be paid for by the purchaser.

As a condition to the purchaser's obligation to accept delivery of and pay for the Bonds, the purchaser will be furnished, without cost, the following, dated as of the date of the delivery of and payment for the Bonds: (i) a certificate of the City Treasurer certifying that (a) as of the date of the official statement furnished by the City in relation to the Bonds, the official statement did not contain any untrue statements of material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, subject to the condition that while information in the official statement obtained

from sources other than the City is not guaranteed as to accuracy, completeness or fairness, the City Treasurer has no reason to believe and does not believe that such information is materially inaccurate or misleading, and (b) to the knowledge of the City Treasurer, since the date of the official statement, there have been no material transactions not in the ordinary course of affairs entered into by the City and no material adverse changes in the general affairs of the City or in its financial condition as shown in the official statement other than as disclosed or contemplated by the official statement, (ii) a Closing Certificate, evidencing receipt for the proceeds of the Bonds and a signature certificate, which will include a statement that no litigation is pending or, to the knowledge of the signers, threatened, affecting the Bonds, (iii) a tax certificate executed on behalf of the City which includes, among other things, covenants, relating to compliance with the Code, with the owners of the Bonds that the City will, among other things, (a) take all actions on its part necessary to cause interest on the Bonds to be excluded from the gross income of the owners thereof for federal income tax purposes, including, without limitation, restricting, to the extent necessary, the yield on investments made with the proceeds of the Bonds and investment earnings thereof, making required payments to the federal government, if any, and maintaining books and records in a specified manner, where appropriate, and (b) refrain from taking action which would cause interest on the Bonds to be includable in the gross income of the owners thereof for federal income tax purposes, including, without limitation, refraining from spending the proceeds of the Bonds and investment earnings thereon on certain specified purposes, and (iv) the approving opinion of Hodgson Russ LLP, of Buffalo, New York, Bond Counsel, to the effect that the Bonds are valid and legally binding general obligations of the City for which the City has pledged its faith and credit and, unless paid from other sources, all the real property within the City is subject to the levy of *ad valorem* real estate taxes to pay the Bonds and interest thereon, without limitation as to rate or amount.

In the opinion of bond counsel, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, with certain exceptions described in the body of the official statement prepared by the City in connection with the sale of the Bonds, and such interest is exempt from New York State and New York City personal income taxes.

The official statement, dated May 16, 2011, relating to the Bonds is in a form “deemed final” for purposes of SEC Rule 15c2-12 (the “Rule”), except for the omission therefrom of those items allowable under the Rule.

Any party executing and delivering a bid for the Bonds agrees, if its bid is accepted by the City, to provide to the City in writing, within two business days after the date of such award, all information which such purchaser determines is necessary for it to comply with the Rule, including all necessary pricing and sale information, information with respect to the purchase of bond insurance, if any, and underwriter identification. Within five business days following receipt by the City thereof, the City will furnish to the purchaser, in reasonable quantities as requested by the purchaser, copies of the official statement, updated as necessary, and supplemented to include such information. Failure by the purchaser to provide such information will prevent the City from furnishing the official statement as described above. The City shall not be responsible or liable in any manner for the purchaser’s determination of information necessary to comply with the Rule or the accuracy of any such information provided by the

purchaser or for failure to furnish the official statements as described above which results from a failure by the purchaser to provide the aforementioned information within the time specified. Acceptance by the purchaser of the final official statements shall be conclusive evidence of the satisfactory completion of the obligation of the City with respect to the preparation and delivery thereof.

The purchaser shall be obligated to furnish to the City, when and if requested, prior to the delivery of the Bonds, such information requested by the City as shall be necessary to enable the City to determine the “issue price” of the Bonds as defined in Sections 1273 or 1274 of the Code.

The City will agree in a continuing disclosure undertaking (the “Disclosure Undertaking”) to provide, or cause to be provided, in accordance with the requirements of the Rule, certain financial and other information, as well as timely notice of the occurrence of certain material events. Reference is made to the official statement for further details regarding the Disclosure Undertaking. The City is in compliance with all previous undertakings made pursuant to the Rule.

Requests for copies of the official statement of the City relating to the Bonds offered hereby, additional copies of this Notice of Bond Sale or any other additional information may be directed to Municipal Solutions, Inc., 2528 State Route 21, Canandaigua, New York 14424, Phone 585.394.4090, Fax 585.394.4092.

Dated: May 16, 2011

Joseph M. Hogenkamp
City Treasurer

PROPOSAL FOR \$1,938,499 PUBLIC IMPROVEMENT SERIAL BONDS, 2011

Joseph M. Hogenkamp, Treasurer
 City of Tonawanda
 Erie County, New York
 c/o Municipal Solutions, Inc.
 2528 State Rt. 21
 Canandaigua, New York 14424
 Telefax: (585) 394-4092
 Telephone: (585) 394-4090

Sale Date: May 26, 2011
 11:30 AM (Prevailing Time)

Dated: June 16, 2011

Maturity Date: June 15, 2012/2020

Dear Mr. Hogenkamp:

For the **\$1,938,499 Public Improvement Serial Bonds, 2011 (the "Bonds")**, of the **City of Tonawanda, Erie County, New York**, as described in the annexed Notice of Bond Sale (which is hereby made a part of this bid), we will pay \$1,938,499 plus a premium of \$_____ and accrued interest to the date of delivery, provided that the Bonds maturing in the several years set forth below shall bear interest, in the indicated multiple(s) of 1/8th or 1/100th of one per centum (1%), from their dated date until maturity at the respective rates per annum stated in the following table:

<u>Year of Maturity</u>	<u>Interest Rate</u>	<u>Year of Maturity</u>	<u>Interest Rate</u>
2012	_____%	2016	_____%
2013	_____%	2017	_____%
2014	_____%	2018	_____%
2015	_____%	2019	_____%
		2020	_____%

Check ONE of the following:

- We enclose herewith a cashier's check or certified check for \$38,770 payable to the order of "City of Tonawanda", to be returned to the undersigned upon the award of the Bonds provided this bid is not accepted; or, the amount of said check to be retained as and for liquidated damages in case of the failure of the undersigned to make payment as agreed.
- Wire Transfer – We have wired \$38,770 in Federal Funds pursuant to the instructions detailed in the Notice of Bond Sale for the account of the City of Tonawanda, which is to be applied in accordance with the Notice of Bond Sale against any loss resulting from the successful bidder failing to comply with the terms of the bid.

The following is our computation of the net interest cost, made as provided in the above-mentioned Notice of Bond Sale, and is not a part of the foregoing proposal for the purchase of the Bonds.

Gross Interest Cost.....	\$ _____
Less: Amount of Premium Offered	\$ _____
Dollar Interest Cost.....	\$ _____
Net Interest Cost	_____ %

(Four Decimals)

Receipt for return of good faith deposit:

Received from Joseph Hogenkamp,
 Treasurer, a check for \$38,770 representing
 the return of our good faith deposit.

 Signature

 Signature

 Name of Bidder

 Address of Bidder

 Telephone

 Fax

 E-Mail