

**STANDARD
& POOR'S**

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New York, NY 10041-0003
tel 212 438-2066
reference no.: 4803003

H. 2 ac: Town of New Hartford

December 12, 2006

Town of New Hartford
48 Genesee Street
New Hartford, NY 13413
Attention: Ms. Carol Fairbrother, Bookkeeper

Re: *New Hartford Town, New York, General Obligation Bonds*

Dear Ms. Fairbrother:

Standard & Poor's has reviewed the rating on the above-referenced obligations. After such review, we have affirmed the "A" rating and changed the outlook to stable from negative. A copy of the rationale supporting the rating and outlook is enclosed.

The rating is not investment, financial, or other advice and you should not and cannot rely upon the rating as such. The rating is based on information supplied to us by you or by your agents but does not represent an audit. We undertake no duty of due diligence or independent verification of any information. The assignment of a rating does not create a fiduciary relationship between us and you or between us and other recipients of the rating. We have not consented to and will not consent to being named an "expert" under the applicable securities laws, including without limitation, Section 7 of the Securities Act of 1933. The rating is not a "market rating" nor is it a recommendation to buy, hold, or sell the obligations.

This letter constitutes Standard & Poor's permission to you to disseminate the above-assigned rating to interested parties. Standard & Poor's reserves the right to inform its own clients, subscribers, and the public of the rating.

Standard & Poor's relies on the issuer/obligor and its counsel, accountants, and other experts for the accuracy and completeness of the information submitted in connection with the rating. To maintain the rating, Standard & Poor's must receive all relevant financial information as soon as such information is available. Placing us on a distribution list for this information would facilitate the process. You must promptly notify us of all material changes in the financial information and the documents. Standard & Poor's may change, suspend, withdraw, or place on CreditWatch the rating as a result of changes in, or unavailability of, such information. Standard & Poor's reserves the right to request additional information if necessary to maintain the rating.

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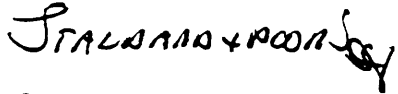
Please send all information to:

Standard & Poor's Ratings Services
Public Finance Department
55 Water Street
New York, NY 10041-0003

If you have any questions, or if we can be of help in any other way, please feel free to call or contact us at nypublicfinance@standardandpoors.com. For more information on Standard & Poor's, please visit our website at www.standardandpoors.com. We appreciate the opportunity to work with you and we look forward to working with you again.

Sincerely yours,

Standard & Poor's Ratings Services
a division of The McGraw-Hill Companies, Inc.

A handwritten signature in black ink that reads "STANDARD & POOR'S" followed by a stylized flourish.

cf
enclosure

New Hartford, New York

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Credit Profile

AFFIRMED

Outstanding GO bnds	A
Outstanding GO bnds	A(SPUR)
OUTLOOK:	STABLE

Rationale

Standard & Poor's Ratings Services revised its rating outlook on the Town of New Hartford, N.Y.'s GO bonds to stable from negative, reflecting the restoration of the town's reserves in both fiscals 2005 and 2006.

In addition, Standard & Poor's affirmed its 'A' underlying rating (SPUR) on the town's GO bonds, further reflecting the town's:

- Primarily residential tax base that serves as a retail center for the Utica-Rome metropolitan area;
- Relatively large \$1.3 billion tax base and high \$61,539 per capita market value; and
- Low direct debt burden, limited future capital needs, and low debt service carrying charges.

These strengths are tempered by:

- Moderate concentration in the tax base, with the 10 leading taxpayers accounting for 16% of the 2006 assessed valuation (AV);
- Property tax appeals that reduced the town's assessed value 15% from fiscals 2003-2006; and
- Wealth levels that are well below average.

After posting a deficit in fiscal 2004 of \$550,000, the ending general fund balance was lowered to \$2.6 million, or 38% of expenditures. Preliminary estimates late in the fourth quarter of fiscal 2005 indicated the fund balance would be diminished to \$600,000, leading to a negative outlook on the town's rating. Audited results for fiscal 2005, however, showed a surplus in the general fund, bringing the total fund balance to \$2.8 million, or 44% of expenditures. Furthermore, new management estimates an additional surplus of approximately \$2 million by year-end, bringing the total fund

balance to roughly \$5 million, which would be a 79% increase from the prior year's ending fund balance.

New Hartford (population: 21,246) is located in Oneida County ('A'). The town is adjacent to the City of Utica and 15 miles southeast of the City of Rome. In recent years, the economy has experienced a transition from an industrial and manufacturing base to a more service and retail-oriented base. This change followed the downsizing of Griffiss Air Force Base and the closure of a Lockheed-Martin Corp. facility. The Sangertown Square Mall, with about 2,000 employees, anchors the retail sector, along with the New Hartford Shopping Center. Additionally, a new mall, the Consumer Square Mall, with a Wal-Mart Super Center as its anchor, recently opened. Additionally, the Sangertown Square Mall also underwent a recent expansion, adding a Target Corp. store and two more stores to the existing facility. Aiding this commercial development was the completion of Interstate 840 in the spring of 2006, which attracts consumers from northern Oneida and the Adirondacks. The town generates approximately 42% of sales taxes for the entire county. Other leading employers include St. Luke's Memorial Hospital (1,600 employees), Utica National Insurance Group (750), and Special Metals Inc. (535).

Wealth and unemployment figures for the county are below average. Median household effective buying income is at 83% of the state and 82% of the U.S. levels. Similar trends are noted in the per capita effective buying income. As for unemployment rates, through February 2006, the county's unemployment rate measured a moderate 5.2%.

The town's 2006 tax base totals \$1.2 billion, following two years of decreases due primarily to tax appeals. Indeed, assessed value (AV) decreased by 9.2% from 2003-2004, and by 7.5% from 2004-2005. From 2005-2006, AV increased by 1.6%, suggesting that future tax appeals may be minimal. Moreover, the tax base is moderately concentrated, with the 10 leading taxpayers accounting for approximately 16% of AV. Market value (MV) per capita is average at \$56,000 per capita.

The town's management practices are considered standard under Standard & Poor's Financial Management Assessment (FMA). An FMA of standard indicates that the finance department maintains adequate policies in some, but not all key areas. Highlights of the finance department's management practices include monthly budgeting monitoring with amendments (if necessary). The town's investment policy mirrors state investment guidelines, although it does not report regularly on investment performance. At this time, the county does not have a formal fund balance policy, nor a debt policy, nor does it conduct long-term financial forecasts.

The town's debt burden is minimal, with overall net debt at \$196 per capita and 0.4% of MV. Debt-service payments represent a low carrying charge of 7% of 2005 expenditures. Management is anticipating a possible debt issuance in early to mid 2007 for a storm water improvement project and for a court and police building project, totaling approximately \$3 million.

Outlook

The stable outlook reflects the town's return to, and new management's dedication to, financial stability. The town's continued commercial development provides comfort that the economic base will also remain stable. Further stability is provided by the town's minimal debt burden coupled with limited additional capital needs.