This Preliminary Official Statement and information contained in it are subject to change, completion or amendment without notice. These Series 2016 Bonds may not be sold and offers to buy may not be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of any offer to buy and there shall not be any sale of the Series 2016 Bonds in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of that jurisdiction.

PRELIMINARY OFFICIAL STATEMENT DATED OCTOBER 12, 2016

DAC Bond®

Ratings (See RATINGS)	
Fitch	AA/F1+
Moody's	Aa2/VMIG 1
S & P	AA/A-1+

NEW ISSUE

*In the opinion of Bond Counsel, under existing law (i) assuming continuing compliance with certain covenants and the accuracy of certain representations, interest on the Series 2016 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 under the Internal Revenue Code of 1986, as amended, and (ii) the Series 2016 Bonds, the transfer thereof, and the income therefrom, including any profit made on the sale thereof, are free from taxation within the State of Ohio, except the estate tax, the domestic insurance company tax, the dealers in intangibles tax, the tax levied on the basis of the total equity capital of financial institutions, and the net worth base of the corporate franchise tax. Interest on the Series 2016 Bonds may be subject to certain federal taxes imposed only on certain corporations, including the corporate alternative minimum tax on a portion of that interest. See "**TAX MATTERS**" herein.*

OFFICIAL STATEMENT
$32,300,000*
STATE OF OHIO
(TREASURER OF STATE)
Capital Facilities Lease-Appropriation Variable Rate Bonds, Series 2016C
(Adult Correctional Building Fund Projects)

Dated: Date of Initial Delivery **CUSIP**:** _____ **Interest Rate:** Electronic Biddable Rate (initially, 7-Day) **Price:** 100% **Due:** On October 1, 2036*

The Series 2016 Bonds: The $32,300,000* State of Ohio (Treasurer of State) Capital Facilities Lease-Appropriation Variable Rate Bonds, Series 2016C (Adult Correctional Building Fund Projects) (the "Series 2016 Bonds") will be issued for the purpose of paying Costs of Capital Facilities to be leased to the Department of Rehabilitation and Correction of the State of Ohio (the "DRC"). (See **THE SERIES 2016 BONDS**)

Security and Sources of Payment: The Series 2016 Bonds are special obligations of the State, issued by the State Treasurer of Ohio (the "Treasurer"), and are payable solely from Pledged Receipts, principally rental payments under a lease between the Ohio Public Facilities Commission (the "OPFC") and the DRC, and a supplemental lease thereto relating to the Series 2016 Bonds. The obligations of the DRC to make the rental payments are subject to and dependent upon biennial appropriations being made for such purposes by the General Assembly. The failure of the General Assembly to so appropriate moneys to the DRC will result in termination of the Lease. The Series 2016 Bonds do not represent or constitute a debt of the Treasurer, the DRC, the OPFC or the State of Ohio or any political subdivision thereof, or a pledge of the faith and credit of the Treasurer, the DRC, the OPFC or the State of Ohio or any political subdivision thereof. *The Holders and Beneficial Owners of the Series 2016 Bonds shall have no right to have excises or taxes levied by the General Assembly for the payment of Bond Service Charges on the Series 2016 Bonds.* (See **THE BONDS GENERALLY – Security**)

Interest Rate and Payment: All of the Series 2016 Bonds will be initially issued in the Alternative Trading System Mode and will remain in that mode until converted. After the initial offering, every 7 days investors will bid for the Series 2016 Bonds through an electronic, competitive bidding process with the successful bidders receiving the "Clearing Market Rate," which will be the lowest rate that clears the market or the lowest rate at which the cumulative total of Series 2016 Bonds demanded (buyers) is equal to the total amount of Series 2016 Bonds available (sellers). (See **THE SERIES 2016 BONDS – Interest on the Series 2016 Bonds**) This Official Statement describes the Series 2016 Bonds only while the Series 2016 Bonds are in the Alternative Trading System Mode. Should the Series 2016 Bonds be converted to a different interest rate mode, the Series 2016 Bonds shall be subject to mandatory tender and a remarketing memorandum or remarketing circular will be distributed describing such mode in connection with a remarketing of the Series 2016 Bonds. Principal and interest will be payable to the Registered Owner (initially, The Depository Trust Company or its nominee ("DTC")), the principal on presentation and surrender to the Trustee, and interest transmitted on each Interest Payment Date. The Interest Payment Dates for the Series 2016 Bonds are April 1 and October 1, beginning April 1, 2017. (See **THE SERIES 2016 BONDS**)

Redemption: The Series 2016 Bonds are subject to optional and mandatory redemption prior to maturity as provided herein. (See **THE SERIES 2016 BONDS –Redemption**)

Book-Entry: The Series 2016 Bonds will be initially issued only as fully registered bonds under a book-entry only method. DTC, New York, New York, is the Securities Depository. There will be no distribution of bond certificates to others. (See **APPENDIX C – BOOK-ENTRY SYSTEM; DTC**) The Series 2016 Bonds will be issued initially in denominations of $100,000 and any integral multiple of $100,000 in excess thereof.

Optional and Mandatory Tender: Holders of the Series 2016 Bonds shall have the option to tender their Series 2016 Bonds on a Rate Effective Date, subject to and in accordance with the giving of notice as described herein and the procedures of the Alternative Bidding System. (See **APPENDIX D – ALTERNATIVE TRADING SYSTEM; BIDDING PROCEDURES**) Holders of the Series 2016 Bonds will be required to tender their Series 2016 Bonds upon conversion of the Series 2016 Bonds from the Alternative Trading System Mode and/or if a Substitute Liquidity Facility is provided. Holders may not elect to retain their Series 2016 Bonds in the event of a mandatory tender. The purchase price for the Series 2016 Bonds tendered for purchase will be the principal amount thereof, plus accrued interest. **The purchase price of the Series 2016 Bonds tendered for purchase shall be paid from moneys derived from the remarketing of such Series 2016 Bonds and, if such remarketing proceeds are insufficient, from the Self-Liquidity Facility provided by the State, subject to certain limitations as described herein.** (See **THE SERIES 2016 BONDS – Tender of the Series 2016 Bonds** and **- Liquidity**)

Liquidity: Liquidity to pay the purchase price of the Series 2016 Bonds that are tendered and not remarketed will be provided by the State through the Treasurer's use of the investment portfolio of the State Treasury (the "Self-Liquidity Facility"), subject to certain limitations described herein. Should a Substitute Liquidity Facility be substituted for the Self-Liquidity Facility, the Series 2016 Bonds shall be subject to mandatory tender and a remarketing memorandum or remarketing circular will be distributed describing such Substitute Liquidity Facility in connection with a remarketing of the Series 2016 Bonds. Certain limitations apply to the availability of the Self-Liquidity Facility provided by the State and prospective purchasers of the Series 2016 Bonds should carefully review the provisions herein concerning the Self-Liquidity Facility. (See **THE SERIES 2016 BONDS – Liquidity**)

This Cover includes certain information for quick reference only. It is not a summary of the bond issue. Investors should read the entire Official Statement to obtain information as a basis for making informed investment judgments. Capitalized terms used on this Cover and elsewhere herein and not otherwise defined have the meanings given to them in **APPENDIX B – GLOSSARY AND SUMMARIES OF THE TRUST AGREEMENT AND THE LEASE**.

The Series 2016 Bonds are offered when, as and if issued by the Treasurer and accepted by the Underwriter, subject to the opinion on certain legal matters relating to their issuance by Bricker & Eckler LLP, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the Underwriter by its counsel, Calfee, Halter & Griswold LLP. Certain legal matters will be passed upon for the Treasurer by his counsel, the Attorney General of Ohio, Mike DeWine, and Dinsmore & Shohl LLP, which is serving as Issuer and Disclosure Counsel to the Treasurer. The Series 2016 Bonds are expected to be available in definitive form for delivery through DTC on or about October 26, 2016.*

KeyBanc Capital Markets

The date of this Official Statement is October __, 2016, and the information speaks only as of that date.

* Preliminary; subject to change.
** See inside regarding copyright.

$32,300,000†
STATE OF OHIO
(TREASURER OF STATE)
Capital Facilities Lease-Appropriation Variable Rate Bonds, Series 2016C
(Adult Correctional Building Fund Projects)

Interest Rate Mode:	Alternative Trading System Mode (Electronic Biddable 7-Day Rate) (See **APPENDIX D – ALTERNATIVE TRADING SYSTEM; BIDDING PROCEDURES**)
Due:	October 1, 2036†
CUSIP‡:	_____
Market Agent:	Arbor Research and Trading, LLC
Liquidity Provider:	State of Ohio
Initial Rate:	____%
*Interest Payment Dates:**	April 1 and October 1, commencing April 1, 2017
First Bid Process Date/Submission Deadline:	12:30 p.m., Tuesday, November 1, 2016
*Clearing Market Rate Period:***	Initially a 7-day period starting on Wednesday, November 2, 2016 through the following Tuesday, November 8, 2016, and each 7-day period thereafter from Wednesday through Tuesday
Rate Determination Date:	Not later than 1:00 p.m. on the Business Day*** immediately preceding the commencement date of the Clearing Market Rate Period
Rate Effective Date:	The day immediately following the Rate Determination Date, and the Rate Effective Date is the first Business Day of a Clearing Market Rate Period
Purchase Date for Optional Tender:	A Rate Effective Date****
Notice for Optional Tender:	Not later than 4:00 p.m. on any Business Day through the Alternative Trading System and if given on a Rate Determination Date, notice must be given between 1:00 p.m. and 4:00 p.m.
Purchase Date for Mandatory Tender or Mandatory Tender Date:	On a Rate Effective Date upon Conversion from Alternative Trading System Mode to another Rate Period and/or upon the provision of a Substitute Liquidity Facility
Notice to Holder for Mandatory Tender:	At least 25 days prior to the Purchase Date through the Alternative Trading System
Optional Redemption during Alternative Trading System Mode:	Any Conversion Date without notice, Liquidity Facility Substitution Date without notice, or any Business Day that is a Rate Effective Date with 30 days' prior notice
Maximum Rate:	Lower of 9% or maximum rate permitted by Ohio law

Note: All time references given above refer to New York City time.
The information above is provided for the convenience of the Bondholders and is not meant to be comprehensive.

* If any Interest Payment Date is not a Business Day, then payment will be made on the next succeeding Business Day with no additional interest accruing.

** The Underwriter will set the initial rate pursuant to the initial offering. Thereafter, the first Clearing Market Rate will begin on the Wednesday following the delivery date of the Series 2016 Bonds and end seven days later the following Tuesday.

*** "Business Day" means a day, other than a Saturday or Sunday, and other than a day on which banks located in Columbus, Ohio, and in New York, New York, are required, or authorized or not prohibited by law (including without limitation executive orders), to close and are closed.

**** See **THE SERIES 2016 BONDS – Tender of the Series 2016 Bonds** herein.

† Preliminary; subject to change.
‡ See inside cover regarding copyright.

REGARDING THIS OFFICIAL STATEMENT

While the Series 2016 Bonds may in the future be converted from the Alternative Trading System Mode to a different mode, this Official Statement does not describe those other modes or terms specifically applicable to the Series 2016 Bonds bearing interest at a rate other than the Alternative Trading System Mode. It is currently anticipated that if the Series 2016 Bonds are converted to another Rate Period, a remarketing memorandum or remarketing circular will be distributed describing said Rate Period.

This Official Statement does not constitute an offering of any security other than the original offering of the Series 2016 Bonds of the State identified on the Cover. No person has been authorized by the Treasurer, the DRC, the OPFC or the State to give any information or to make any representation, other than that contained in this Official Statement, and if given or made, such other information or representation must not be relied upon as having been given or authorized by the Treasurer, the DRC, the OPFC or the State. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, and there shall be no sale of the Series 2016 Bonds by any person, in any jurisdiction in which it is unlawful to make such offer, solicitation or sale.

Upon issuance, the Series 2016 Bonds will not be registered by the Treasurer, the DRC, the OPFC or the State under the Securities Act of 1933, as amended, or any state securities law, and will not be listed on any stock or other securities exchange. Neither the Securities and Exchange Commission nor any other federal, state or other governmental entity or agency, except the Treasurer, will have passed upon the accuracy or adequacy of this Official Statement or approved the Series 2016 Bonds for sale.

The information and expressions of opinion in this Official Statement are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder, under any circumstances, shall create any implication that there has been no change in the affairs of the Treasurer, the DRC, the OPFC or the State since its date.

The information approved and provided by the State in this Official Statement is the information relating to the particular subjects provided by the State or State agencies for the purpose of this Official Statement. Reliance for the purpose should not be placed on any other information publicly provided, in any format including electronic, by any State agency for other purposes, including general information provided to the public or to portions of the public.

This Official Statement, including its Appendices and Exhibits, contains statements that the State or the Treasurer believes may be "forward-looking statements." Words such as "plan," "estimate," "project," "budget," "anticipate," "expect," "intend," "believe" and similar terms are intended to identify forward-looking statements. The achievement of results or other expectations expressed or implied by such forward-looking statements involve known and unknown risks, uncertainties and other factors that are difficult to predict, may be beyond the control of the State or the Treasurer and could cause actual results, performance or achievements to be materially different from any results, performance or achievements expressed or implied by such forward-looking statements. The State and the Treasurer undertake no obligation, and do not plan, to issue any updates or revisions to any of the forward-looking statements in this Official Statement.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

In connection with this offering, the Underwriter may over allot or effect transactions that stabilize or maintain the market price of the Series 2016 Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

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SUMMARY STATEMENT

The following summary statement supplements certain of the information on the Cover and summarizes selected other information in this Official Statement relating to the Series 2016 Bonds. It is not intended as a substitute for the more detailed discussions in this Official Statement to which reference should be made.

ISSUER. The State of Ohio, by the State Treasurer of Ohio.

AUTHORIZATION. The Series 2016 Bonds are issued pursuant to Section 2i of Article VIII of the Constitution of the State, Chapter 154 of the Revised Code, the General Bond Order, the Trust Agreement, the Lease and the Series Order, providing for the issuance and sale of the Series 2016 Bonds.

SECURITY AND SOURCES OF PAYMENT. The Series 2016 Bonds are special obligations of the State, issued by the Treasurer, payable solely from the Pledged Receipts. Holders and Beneficial Owners have no right to have excises or taxes levied by the General Assembly for payment of the Series 2016 Bonds. The Series 2016 Bonds (and any other Obligations issued) are secured by the Trust Agreement. Principal, interest and any premium on the Series 2016 Bonds are payable from and secured by a pledge of payments received in the Bond Service Fund for the Series 2016 Bonds from rentals and other revenues and receipts under the Lease. There are no receipts from the Projects pledged to pay Bond Service Charges on the Series 2016 Bonds. The Projects are not mortgaged to pay, and otherwise are not security for, the Series 2016 Bonds.

All moneys received by the Treasurer under the Lease, excepting the portion of those moneys to be credited to the Administrative Service Fund, shall be deposited to the Bond Service Fund for the Series 2016 Bonds and allocated to the Bond Service Account and Special Funds and Accounts as provided by the Lease. The obligations of the DRC to make rental payments under the Lease are subject to and dependent upon biennial appropriations being made by the General Assembly for such purpose. Those appropriations may not be made for a period longer than the fiscal biennium, which initially ends June 30, 2017 but which thereafter is a two-year period ending on June 30 of each odd-numbered year. The failure of the General Assembly to appropriate moneys to the DRC will result in termination of the Lease. The Series 2016 Bonds do not represent or constitute a debt of the Treasurer, the DRC, the OPFC or the State or of any political subdivision thereof, or a pledge of the faith and credit of the Treasurer, the DRC, the OPFC or the State or of any political subdivision thereof.

Certain financial and other information concerning the State is contained in **APPENDIX A – INFORMATION CONCERNING THE STATE OF OHIO**, which is attached hereto and should be reviewed carefully because rental payments under the Lease are paid with moneys appropriated from the State General Revenue Fund. (See **APPENDIX A – INFORMATION CONCERNING THE STATE OF OHIO – STATE DEBT – General** and **APPENDIX A – INFORMATION CONCERNING THE STATE OF OHIO – FISCAL MATTERS – Recent Receipts and Disbursements**)

PURPOSE OF BONDS. The Series 2016 Bonds are being issued for the purpose of paying (i) Costs of Capital Facilities to be leased to the DRC, and (ii) costs incidental to the issuance and sale of the Series 2016 Bonds.

ALTERNATIVE TRADING SYSTEM. The Clearing Market Rate for each Rate Effective Date shall be established through an electronic bidding system platform referred to as the "Clarity BidRate Alternative Trading System[TM]" or "Clarity," which bid process is described on **APPENDIX D – ALTERNATIVE TRADING SYSTEM; BIDDING PROCEDURES.** To access the Alternative Trading System, prospective holders must become "Subscribers" to the Alternative Trading System by executing and delivering to the Market Agent a Subscriber Agreement, the form of which is attached as **APPENDIX E - FORM OF SUBSCRIBER AGREEMENT**. In addition to the information presented in this Official Statement concerning the Alternative Trading System, more information regarding the Market Agent and the Alternative Trading System can be found at http://www.claritybid.com.

OPTIONAL AND MANDATORY TENDER. The Series 2016 Bonds shall bear interest at the Clearing Market Rate established through the Alternative Trading System, and while in this mode the Series 2016 Bonds are subject to tender on a Rate Effective Date for purchase at the option of the Owner of a Series 2016 Bond, and are subject to mandatory tender for purchase on any Rate Effective Date in the event the Series 2016 Bonds are converted from the Alternative Trading System Mode to another mode and/or if a Substitute Liquidity Facility is substituted for the Self-Liquidity Facility. If the Series 2016 Bonds are subject to mandatory tender, the Holders may not elect to retain their Series 2016 Bonds. (See **THE SERIES 2016 BONDS – Tender of the Series 2016 Bonds**)

LIQUIDITY. Liquidity to pay the purchase price of the Series 2016 Bonds that are tendered and not remarketed, or are otherwise not sold through the Alternative Trading System, will be provided by the State through the Treasurer's use of the investment portfolio of the State Treasury (the "Self-Liquidity Facility"), subject to certain limitations. **The Self-Liquidity Facility is not a debt, liability or obligation of the State, and no recourse may be had against the State or any funds or other property owned by the State. Neither the faith and credit nor taxing power of the State is pledged to the payment of the Purchase Price on the Purchase Date of Series 2016 Bonds tendered for purchase but not remarketed.** (See **THE SERIES 2016 BONDS – Liquidity**)

REDEMPTION. The Series 2016 Bonds are subject to mandatory and optional redemption as described herein. (See **THE SERIES 2016 BONDS –Redemption**)

FORM AND MANNER OF MAKING PAYMENTS. The Series 2016 Bonds will be originally issued only as fully registered bonds, in denominations of $100,000 or any integral multiple of $100,000 in excess thereof ("Authorized Denominations"), under a book-entry only method, and registered initially in the name of The Depository Trust Company, New York, New York, or its nominee ("DTC"). There will be no distribution of Series 2016 Bonds to the ultimate purchasers. The Series 2016 Bonds in book-entry form will not be transferable or exchangeable, except for transfer to another nominee of DTC or as otherwise described in this Official Statement. (See **APPENDIX C – BOOK-ENTRY SYSTEM; DTC)**

Principal and interest will be payable to the Holder (initially, DTC or its nominee). Principal will be payable on presentation and surrender to the Trustee. Interest will be transmitted by the Trustee on each Interest Payment Date to the Holder as of the close of business the Business Day immediately preceding the Interest Payment Date (the Business Day prior to a payment date being the "Regular Record Date"). The Interest Payment Dates for the Series 2016 Bonds are April 1 and October 1, beginning April 1, 2017. (See **THE SERIES 2016 BONDS**)

TAX MATTERS. In the opinion of Bond Counsel, under existing law (i) assuming continuing compliance with certain covenants and the accuracy of certain representations, interest on the Series 2016 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 under the Internal Revenue Code of 1986, as amended, and (ii) the Series 2016 Bonds, the transfer thereof, and the income therefrom, including any profit made on the sale thereof, are free from taxation within the State of Ohio, except the estate tax, the domestic insurance company tax, the dealers in intangibles tax, the tax levied on the basis of the total equity capital of financial institutions, and the net worth base of the corporate franchise tax. Interest on the Series 2016 Bonds may be subject to certain federal taxes imposed only on certain corporations, including the corporate alternative minimum tax on a portion of that interest.

For a more complete discussion of the tax aspects of the Series 2016 Bonds, see **TAX MATTERS** herein.

TRUSTEE, BOND REGISTRAR AND TENDER AGENT. The Bank of New York Mellon Trust Company, N.A. is the Trustee, Bond Registrar and Tender Agent for the Series 2016 Bonds.

BOND COUNSEL. Bricker & Eckler LLP.

ISSUER AND DISCLOSURE COUNSEL. Dinsmore & Shohl LLP.

MUNICIPAL ADVISOR. PFM Financial Advisors LLC.

UNDERWRITER. KeyBanc Capital Markets Inc. (the "Underwriter"). The Series 2016 Bonds have been purchased by the Underwriter at a price of $_____. (See **UNDERWRITING**)

MARKET AGENT. Arbor Research & Trading, LLC (the "Market Agent").

Questions regarding this Official Statement or the Series 2016 Bonds should be directed to Seth Metcalf, Deputy Treasurer and Executive Counsel, State of Ohio, Treasurer of State, 30 East Broad Street, 9th Floor, Columbus, Ohio 43215-3414, telephone (614) 466-2191.

GENERAL INTRODUCTORY STATEMENT

This Official Statement has been prepared by the State Treasurer of Ohio (the "Treasurer") to provide certain information in connection with the original issuance and sale of the $32,300,000* State of Ohio (Treasurer of State) Capital Facilities Lease-Appropriation Variable Rate Bonds, Series 2016C (Adult Correctional Building Fund Projects) (the "Series 2016 Bonds"). The Series 2016 Bonds are being issued pursuant to Section 2i of Article VIII of the Ohio Constitution under powers granted to the Treasurer by Chapter 154 of the Revised Code as the issuing authority in all matters relating to the issuance of special obligation bonds for the financing of Capital Facilities, as that term is defined in Sections 154.01 and 154.24 of the Revised Code, for housing branches and agencies of state government.

Capitalized terms not otherwise defined in the text of this Official Statement shall have the meanings given to them in **APPENDIX B – GLOSSARY AND SUMMARIES OF THE TRUST AGREEMENT AND THE LEASE**.

The Series 2016 Bonds are issued pursuant to the Trust Agreement dated as of May 1, 2012 (the "Original Trust Agreement") and the Series 2016C Supplemental Trust Agreement thereto dated as of October 1, 2016 (the "Series 2016C Supplemental Trust Agreement"), each between the State, acting by and through the Treasurer, and The Bank of New York Mellon Trust Company, N.A., as Trustee (the "Trustee"). The Original Trust Agreement as amended and supplemented, including as amended and supplemented by the Series 2016C Supplemental Trust Agreement, is referred to as the "Trust Agreement." The Series 2016 Bonds are authorized by the General Bond Order issued by the Treasurer on May 3, 2012 (the "General Bond Order") and Series Order No. 9-16 issued by the Treasurer on October __, 2016 (the "Series 2016C Order").

Proceeds from the sale of the Series 2016 Bonds will be used for the purpose of (i) paying Costs of Capital Facilities to be leased to the Department of Rehabilitation and Correction of the State of Ohio (the "DRC") by the Ohio Public Facilities Commission (the "OPFC"), and (ii) paying costs incidental to the issuance and sale of the Series 2016 Bonds. (See **THE SERIES 2016 BONDS - Sources and Uses of Bond Proceeds**)

The OPFC will lease the Capital Facilities financed with the Series 2016 Bonds to the DRC pursuant to the terms of a Lease Agreement dated as of May 1, 2012 (the "Original Lease Agreement") and a Series 2016C Supplemental Lease Agreement thereto dated as of October 1, 2016 (the "Series 2016C Supplemental Lease"), each between the OPFC and the DRC. The Original Lease Agreement as amended and supplemented, including as supplemented by the Series 2016C Supplemental Lease is referred to as the "Lease." The term of the Lease expires June 30, 2017, and is renewable for successive terms not to exceed two years upon appropriation by the General Assembly to the DRC of the amounts required for rental payments for each successive term.

Rental Payments and Bond Service Charges

The Lease requires rental payments from the DRC sufficient to pay (i) the Bond Service Charges on the Series 2016 Bonds and any other Obligations issued under the Trust Agreement, (ii) certain administrative costs of the Treasurer and (iii) any rebate amount or other related payments to maintain the exclusion from gross income for federal income tax purposes of the interest on the Series 2016 Bonds pursuant to Section 148(f) of the Code, if necessary. The rental payments from the DRC constituting Basic Rent under the Lease are assigned by the OPFC to the Treasurer and are paid directly to the Treasurer and are pledged by the State pursuant to the Trust Agreement for the payment of Bond Service Charges on the Series 2016 Bonds and are required to be deposited to the Bond Service Fund pursuant to the Trust Agreement. (See **APPENDIX B – GLOSSARY AND SUMMARIES OF THE TRUST AGREEMENT AND THE LEASE**)

The obligations of the DRC to make rental payments and to perform other obligations involving expenditures under the Lease are subject to and dependent upon biennial appropriations to the DRC being made by the General Assembly for such purpose. If the General Assembly fails to appropriate moneys to renew the Lease, the Lease will terminate. Under the Lease, the OPFC has waived all rights it may have to recover possession of the Projects in the event of the termination of the Lease. **If the General Assembly fails to appropriate moneys to renew the Lease, the OPFC does not have the remedies generally available to lessors upon default under or termination of a lease and the OPFC and the Treasurer may have no practical remedy to ensure that moneys are available for the payment of Bond Service Charges on the Series 2016 Bonds.** (See **APPENDIX B – GLOSSARY AND SUMMARIES OF THE TRUST AGREEMENT AND THE LEASE**)

Based upon the projected Bond Service Charges on the Series 2016 Bonds and the Treasurer's estimated administrative expenses for the biennium ending June 30, 2017, the amounts currently appropriated by the General Assembly

* Preliminary; subject to change.

for the rental payments to be paid by the DRC to the Treasurer under the Lease, together with existing moneys on deposit in the Bond Service Fund, will be sufficient to pay the Bond Service Charges, together with such sums, if any, as shall be necessary to pay certain administrative expenses of the Treasurer (for example, Trustee fees) for such biennium, including any amounts due as Additional Rent under the Lease. There is no Required Reserve for the Series 2016 Bonds.

This Official Statement contains brief descriptions of the Series 2016 Bonds, the security for the Series 2016 Bonds, the Treasurer, the DRC, the OPFC, the Projects, the Lease and the Trust Agreement. **Certain financial and other information concerning the State is contained in APPENDIX A – INFORMATION CONCERNING THE STATE OF OHIO hereto and should be reviewed carefully because rental payments under the Lease are paid with moneys appropriated from the General Revenue Fund. (See APPENDIX A – INFORMATION CONCERNING THE STATE OF OHIO – STATE DEBT – General and APPENDIX A – INFORMATION CONCERNING THE STATE OF OHIO – FISCAL MATTERS – Recent Receipts and Disbursements)**

All financial and other data included herein have been provided by the Treasurer, the DRC, or the State, except that which is attributed to other sources. The summaries of the documents described herein do not purport to be comprehensive or definitive and are qualified in their entirety by reference to such documents. Copies of the Lease and the Trust Agreement may be obtained from the Treasurer and the Trustee and, during the initial offering period, from the Underwriter.

References to provisions of Ohio law or of the Ohio Constitution are to those provisions now in effect. Those provisions may from time to time be amended, repealed or supplemented.

THE SERIES 2016 BONDS

General

The Series 2016 Bonds will be issued pursuant to the constitutional and statutory authorities described herein and the General Bond Order and the Series 2016C Order issued by the Treasurer. This Official Statement describes the Series 2016 Bonds only while the Series 2016 Bonds bear interest at the Clearing Market Rate in the Alternative Trading System Mode. It is currently anticipated that should the Series 2016 Bonds be converted to another mode and/or if a Substitute Liquidity Facility is provided, a mandatory tender will occur and a remarketing memorandum or remarketing circular will be distributed in connection with that remarketing. The Series 2016 Bonds are issuable in the form and denominations, and will be dated and mature, as described in this Official Statement. Computations of interest shall be based on 365-day or 366-day years for the actual number of days elapsed. The Series 2016 Bonds shall be fully registered bonds in the denomination of $100,000 or any integral multiple of $100,000 in excess thereof ("Authorized Denominations").

The Series 2016 Bonds are issued under the Trust Agreement and are payable from appropriations by the General Assembly for rental payments under the Lease.

The Bank of New York Mellon Trust Company, N.A., as Bond Registrar, will keep all books and records necessary for registration, exchange and transfer of the Series 2016 Bonds.

The Series 2016 Bonds shall bear interest from their date of issuance as described below. The Series 2016 Bonds are subject to optional and mandatory redemption prior to maturity. (See **THE SERIES 2016 BONDS** –Redemption) The Series 2016 Bonds are subject to optional and mandatory tender for purchase. (See **THE SERIES 2016 BONDS – Tender of the Series 2016 Bonds**) The Series 2016 Bonds are subject to mandatory tender upon a conversion from the Alternative Trading System Mode to a different mode and/or if a Substitute Liquidity Facility is provided. (See **THE SERIES 2016 BONDS – Tender of Series 2016 Bonds**). Clearing Market Rates shall be determined as described below, and each determination of rate shall be conclusive and binding upon the Market Agent, the Treasurer, the Bond Registrar, the Paying Agent, the Tender Agent and the Owners of the Series 2016 Bonds, except as provided below.

Alternative Trading System

The Series 2016 Bonds will be issued in the Alternative Trading System Mode. The initial rate shall be set by the Underwriter pursuant to the initial offering. Thereafter, the Clearing Market Rate on each Rate Effective Date shall be established through an electronic bidding system platform referred to as the "Clarity BidRate Alternative Trading System[TM]" or "Clarity," which bid process is described on **APPENDIX D – ALTERNATIVE TRADING SYSTEM; BIDDING PROCEDURES.** To access the Alternative Trading System, prospective holders must become "Subscribers" to the Alternative Trading System by executing and delivering to the Market Agent a Subscriber Agreement, the form of which is attached as **APPENDIX E - FORM OF SUBSCRIBER AGREEMENT**.

Interest on the Series 2016 Bonds

The Interest Payment Dates for the Series 2016 Bonds shall be April 1 and October 1, commencing April 1, 2017. Interest shall be payable on each Interest Payment Date by check to the registered owner as of the close of business on the appropriate Record Date. Prospective purchasers should carefully review **APPENDIX D – ALTERNATIVE TRADING SYSTEM; BIDDING PROCEDURES** and **APPENDIX E - FORM OF SUBSCRIBER AGREEMENT** for information concerning the Alternative Trading System and the process for submitting orders and setting the Clearing Market Rate on the Series 2016 Bonds.

The Series 2016 Bonds shall bear interest in the Alternative Trading System Mode at the Clearing Market Rate (initially being a 7-day period) established on each Rate Determination Date. The Clearing Market Rate will be determined through the Alternative Trading System by no later than the Submission Deadline during such Clearing Market Rate Period. Certain provisions relating to the Alternative Trading System are set forth in **APPENDIX D – ALTERNATIVE TRADING SYSTEM; BIDDING PROCEDURES** hereto. The interest rate for the first 7-day period shall be determined by the Underwriter in the initial offering and shall continue to, but shall not include, the immediately following Rate Effective Date. Thereafter, each Clearing Market Rate shall be established through an electronic bidding process and shall apply to the period commencing on each Rate Effective Date and continuing to, but excluding, the immediately following Rate Effective Date.

Initially, the Clearing Market Rate Period shall be seven days. Without causing a Conversion, the Treasurer may select a different Clearing Market Rate Period (being a period of 7-day increments not to exceed 266 (e.g., 7, 14, 21 … 266)). Notice of the selection of a different Clearing Market Rate Period will be given to Owners by 4:00 p.m. New York City time on a Business Day no less than five (5) Business Days preceding a Bid Process Date. Until changed by the Treasurer, the Clearing Market Rate Period shall remain in effect and continue for successive periods of the same 7-day increment. (**APPENDIX D – ALTERNATIVE TRADING SYSTEM; BIDDING PROCEDURES**)

In the event an Existing Holder fails to submit Orders on a Bid Process Date for the entire principal amount of the Series 2016 Bonds held by such Existing Holder, the Existing Holder shall have a Hold-Auto Order submitted on its behalf for a principal amount of the Series 2016 Bonds for which Orders by such Existing Holder have not been submitted, and the Hold-Auto Order will contain a rate equal to the rate set forth in the most recent Bid To Buy Order or Bid to Roll Order submitted by such Existing Holder, regardless of the principal amount of the Series 2016 Bonds set forth in such Bid To Buy Order or Bid to Roll Order, which resulted in an award of the Series 2016 Bonds to such Existing Holder. The Alternative Trading System anticipates sending Existing Holders one or more notices that such Existing Holder has not submitted Orders on a Bid Process Date for the entire principal amount of Series 2016 Bonds held by such Existing Holder, and that a Hold-Auto Order will be submitted unless the Existing Holder submits Orders for the entire principal amount of Series 2016 Bonds held by such Existing Holder prior to the Submission Deadline. The Alternative Trading System makes no assurance that any such notice will be sent to Existing Holders, and will not be held liable in the event any such notice is or is not sent. (See **APPENDIX D – ALTERNATIVE TRADING SYSTEM; BIDDING PROCEDURES**)

In the event that on any Bid Process Date, no Bid To Roll, Hold-Auto or Bid To Buy Orders (other than any Bid To Buy Order deemed submitted by the Liquidity Provider as a "Contractual Bidder") are submitted, then the Contractual Bidder is obligated to purchase all Series 2016 Bonds, and the Clearing Market Rate shall be the All Sell Rate. In the event that on any Bid Process Date Subscribers (other than the Contractual Bidder) submit Bid To Buy Orders, Bid to Roll Orders or Hold-Auto Orders which, in the aggregate, are for a principal amount of Series 2016 Bonds less than the principal amount of the Series 2016 Bonds shown on the Alternative Trading System, then the Contractual Bidder is obligated to purchase a principal amount of Series 2016 Bonds equal to the difference between (i) the principal amount of Series 2016 Bonds shown on the Alternative Trading System and (ii) the aggregate principal amount of Series 2016 Bonds subject to Bid To Roll, Hold-Auto or Bid To Buy Orders from Subscribers (other than the Contractual Bidder), and the Clearing Market Rate shall be the Highest Market Bid Rate. (See **APPENDIX D – ALTERNATIVE TRADING SYSTEM; BIDDING PROCEDURES**) The obligation of the Contractual Bidder to purchase the Series 2016 Bonds is subject to the Liquidity Facility being in effect at such time of purchase. (See **THE SERIES 2016 BONDS – Tender of the Series 2016 Bonds** and **– Liquidity**)

If the Clearing Market Rate determined by the Alternative Trading System shall be held to be invalid or unenforceable by a court of law or if a Market Disruption Event occurs in connection with a Bid Process Date, then the interest rate for such Clearing Market Rate Period shall be equal to the Clearing Market Rate for the immediately preceding period. (See **APPENDIX D – ALTERNATIVE TRADING SYSTEM; BIDDING PROCEDURES**)

Contractual Bidder Bonds, also referred to herein as "Liquidity Provider Bonds," shall bear interest at the Highest Market Bid Rate or the All Sell Rate. A Sell Order will be submitted on the Alternative Trading System on each Bid Process Date for all Series 2016 Bonds that are Contractual Bidder Bonds. (See **APPENDIX D – ALTERNATIVE TRADING SYSTEM; BIDDING PROCEDURES**)

Change to Different Duration for Clearing Market Rate Period

Initially, the Clearing Market Rate Period shall be a seven-day period. Without causing a Conversion, the Treasurer may select a different Clearing Market Rate Period (being a period of 7-day increments not to exceed 266 (e.g., 7, 14, 21 … 266)). The Trustee shall give notice by first-class mail of the proposed change in duration to the Holders of the Series 2016 Bonds not less than five (5) Business Days prior to the date set for changing the Clearing Market Rate Period, which must be a Rate Effective Date. Such notice shall state: (i) the duration of the new Clearing Market Rate Period for the Series 2016 Bonds; (ii) the proposed effective date of the new Clearing Market Rate Period; and (iii) that the change to the Clearing Market Rate Period is contingent upon (A) consent from the Liquidity Provider, and (B) receipt of a Favorable Opinion of Bond Counsel to the Treasurer, the Trustee, and the Market Agent as to such change in duration of the Clearing Market Rate Period on the effective date of such change. A change in duration of the Clearing Market Rate Period may be made only with respect to all, but not a portion, of the Series 2016 Bonds.

In connection with any proposed change to the Clearing Market Rate Period, the Treasurer shall have the right to deliver to the Trustee, the Market Agent and the applicable Liquidity Facility Provider, on or prior to 10:00 a.m., New York City time, on the second Business Day preceding the effective date of any such change, a notice to the effect that the Treasurer elects to rescind its election to implement any such change to the Clearing Market Rate Period. If the Treasurer rescinds its election to implement any such change, then the duration of the Clearing Market Rate Period shall not be changed from the duration in effect immediately prior to such proposed change.

If any condition to the change to the Clearing Market Rate Period shall not have been satisfied, then the change to the duration of the Clearing Market Rate Period shall not occur, and the Clearing Market Rate Period in effect prior to such proposed change shall continue to be in effect.

Conversion

Upon the direction of the Treasurer, the Series 2016 Bonds may be converted from the Alternative Trading System Mode to a different mode on a Rate Effective Date. Different modes include a daily rate, weekly rate, term rate and fixed rate, among other different, available modes. This Official Statement describes the Series 2016 Bonds only while the Series 2016 Bonds are in the Alternative Trading System Mode. Should the Series 2016 Bonds be converted, the Series 2016 Bonds shall be subject to mandatory tender and a remarketing memorandum or remarketing circular will be distributed describing such new mode in connection with a remarketing of the Series 2016 Bonds. Notice of such conversion and mandatory tender shall be given to Owners of the Series 2016 Bonds at least 25 days prior to the conversion and the mandatory tender date (the "Conversion Date").

Not later than the 15th day prior to the Conversion Date (or the immediately succeeding Business Day, if such 15th day is not a Business Day), the Treasurer may irrevocably withdraw his election to convert the Series 2016 Bonds and his notice of mandatory tender by giving written notice of such withdrawal to the Tender Agent, the Bond Registrar, the Paying Agent and the Market Agent. In the event the Treasurer gives such notice of withdrawal, (i) the Tender Agent, not later than the 10th day prior to the Conversion Date, shall give written notice to the Owners of the Series 2016 Bonds that were to be converted and (ii) such Series 2016 Bonds shall continue to bear interest in the Alternative Trading Mode. Failure by the Tender Agent to provide such notice to the Owners of the Series 2016 Bonds shall not affect the validity of the notice of withdrawal given by the Treasurer.

The conversion shall be conditioned upon determination of the new rate or rates of interest and delivery to the Treasurer (not later than 10:00 a.m. on the Conversion Date) of an opinion of Bond Counsel to the effect that such conversion is authorized by the Trust Agreement, and does not adversely affect the exclusion of interest on the Series 2016 Bonds from gross income for federal income tax purposes.

It is currently anticipated that, should any of the Series 2016 Bonds be converted, a remarketing memorandum or remarketing circular will be distributed describing such conversion and new Rate Period.

Tender of the Series 2016 Bonds

The Series 2016 Bonds shall be subject to tender as described below. In each case, such purchases shall be made at a purchase price (the "Purchase Price") equal to 100% of the principal amount to be purchased, plus unless the Purchase Date (defined herein) is a regularly scheduled Interest Payment Date, all accrued and unpaid interest thereon to the date of purchase thereof, which principal and interest components shall be applied to the purchase of the rights to receive such principal and interest, when and as the same is or becomes due, from the Owners of such rights. If the Purchase Date is a regularly

scheduled Interest Payment Date, the Tender Agent shall pay each tendering Owner accrued and unpaid interest on such tendered Series 2016 Bond from the same source of funds and in the same manner as it, or the Paying Agent, if the Tender Agent is not the Paying Agent, pays accrued and unpaid interest to all non-tendering Owners on such Interest Payment Date. For so long as the Series 2016 Bonds are registered in book-entry form and the Securities Depository or its nominee is the sole Registered Owner of the Series 2016 Bonds, all tenders and deliveries of the Series 2016 Bonds will be accomplished under the procedures of the Security Depository, initially DTC. (See **APPENDIX C - BOOK-ENTRY SYSTEM; DTC**)

Optional Tender. The Series 2016 Bonds are subject to tender at the option of the Owners for purchase at the applicable Purchase Price. Such optional tenders for purchase shall be permitted on any Rate Effective Date (i.e. settlement shall occur on a Rate Effective Date), as described below; provided that notices of optional tender may be given on any Business Day or through a Sell Order on the Alternative Trading System. All Series 2016 Bonds or portions thereof tendered or retained shall be in Authorized Denominations.

For any tender for purchase at the option of an Owner, an Owner must submit a notice of tender through the Alternative Trading System. All such notices of optional tender must be submitted at or before 4:00 p.m. New York City time on a Business Day. If such notice is submitted at or prior to 4:00 p.m., New York City time on any Business Day other than a Rate Determination Date, then the Purchase Date shall be the immediately succeeding Rate Effective Date. If a notice of optional tender is submitted on a Rate Determination Date, it must be submitted after the Rate Publication Time and at or prior to 4:00 p.m., New York City time. The Purchase Date for any such optional tender notices received on the Rate Determination Date after the Rate Publication Time and at or prior to 4:00 p.m., New York City time will be the second succeeding Rate Effective Date. A notice of optional tender shall not be received if it is attempted to be given prior to Rate Publication Time on a Rate Determination Date. If the Alternative Trading System is inoperable, notice of tender must be made by delivery of an irrevocable written notice, which states the principal amount to be purchased, to the Trustee, Tender Agent and the Market Agent at their respective principal office for delivery of notices. The timing for giving notices of optional tender and the corresponding Purchase Date for the tendered Series 2016 Bonds shall be the same timing and corresponding Purchase Dates as if the Alternative Trading System were operable.

For information regarding the obligation to purchase optionally tendered, but unremarketed Series 2016 Bonds, see **THE SERIES 2016 BONDS - Remarketing of Tendered Series 2016 Bonds; Purchase by State as Provider of Self-Liquidity Facility** below.

Mandatory Tender. The Series 2016 Bonds are subject to mandatory tender for purchase on the Conversion Date and/or upon the date a Substitute Liquidity Facility is substituted for the Self-Liquidity Facility (a "Substitution Date"). A Conversion Date and/or Substitution Date is referred to herein as a "Mandatory Tender Date." A Mandatory Tender Date will occur only on a Rate Effective Date.

The Owners of the Series 2016 Bonds may not elect to retain their Series 2016 Bonds upon any Mandatory Tender Date. Any Owner, by its acceptance of the Series 2016 Bonds, agrees to tender the Series 2016 Bonds to the Tender Agent for purchase on dates on which such Series 2016 Bonds are subject to mandatory tender, and upon such transfer, to surrender such Series 2016 Bonds, properly endorsed for transfer in blank.

Not less than 30 days prior to the Mandatory Tender Date, the Treasurer shall give written notice of the same to the Tender Agent, the Bond Registrar and the Market Agent, stating that the Series 2016 Bonds are to be converted and/or a Substitute Liquidity Facility is to be provided and setting forth the proposed Mandatory Tender Date, Rate Period and name of the Substitute Liquidity Provider, all to the extent applicable.

Not less than 25 days prior to the Mandatory Tender Date, the Tender Agent shall give written notice of mandatory tender to the Owners. Upon notice of the Treasurer's withdrawal of its election to convert the Series 2016 Bonds from the Alternative Trading System Mode, and/or the Treasurer's election not to provide a Substitute Liquidity Facility, or the failure to meet the conditions to a conversion or to the provision of a Substitute Liquidity Facility, the Tender Agent shall give written notice not later than the 10th day prior to the Mandatory Tender Date (or the immediately succeeding Business Day if such 10th day is not a Business Day) to the Owners of such Series 2016 Bonds.

Purchase; Undelivered Bonds. On the Purchase Date designated for any Series 2016 Bond, if sufficient money for the payment of the Purchase Price of such Series 2016 Bond is held by the Tender Agent, interest on such Series 2016 Bond shall cease to accrue to the former Owner, such Series 2016 Bond shall be deemed to have been purchased pursuant to the Series 2016C Supplemental Trust Agreement, irrespective of whether or not such Series 2016 Bond shall have been presented to the Tender Agent, and the former Owner of such Series 2016 Bond or interests therein shall have no claim thereunder or otherwise for any amount other than to receive the Purchase Price therefor.

Inadequate Funds for Tender. If the funds available for purchases of tendered Series 2016 Bonds are inadequate for the purchase of all such Series 2016 Bonds tendered on any Purchase Date, then all such Series 2016 Bonds shall bear interest from such date at the Maximum Rate and shall no longer be subject to optional or mandatory tender for purchase (except upon a conversion to a fixed rate); and the Tender Agent shall immediately (i) return all such tendered Series 2016 Bonds to the Owners thereof, (ii) return all money received for the purchase of such tendered Series 2016 Bonds to the persons providing such money, and (iii) give written notice to all Series 2016 Bond Owners. The obligation to deposit funds in sufficient amounts to purchase Series 2016 Bonds from amounts from the State's Self-Liquidity Facility or from remarketing proceeds will remain enforceable pursuant to the terms of the Series 2016C Supplemental Trust Agreement and only be discharged at such time as funds are deposited with the Tender Agent in an amount sufficient to purchase all of the Series 2016 Bonds that were required to be purchased on the prior optional tender date or Mandatory Tender Date, together with any interest which has accrued to such subsequent Purchase Date.

Remarketing of Tendered Series 2016 Bonds; Purchase by State as Provider of Self-Liquidity Facility

The Market Agent shall, subject to the provisions of the Market Agreement, offer for sale and use its best efforts to find purchasers (at par plus accrued interest, if any) for all Series 2016 Bonds or portions thereof properly tendered or unsold balances from the Bid Process using the Alternative Trading System. Series 2016 Bonds shall not be remarketed to the State except for purchasing such Series 2016 Bonds in its capacity as the provider of the Self-Liquidity Facility pursuant to the Series 2016C Supplemental Trust Agreement. The Market Agent shall cause the Purchase Price of all tendered or unsold Series 2016 Bonds from the Bid Process that have been remarketed to be paid to the Tender Agent in immediately available funds at or before 2:00 p.m., New York City time, on the Purchase Date. Notwithstanding the foregoing, the Market Agent shall not offer for sale any Series 2016 Bond as to which a notice of redemption or mandatory tender has been given unless the Market Agent has advised the person to whom the offer is made of the notice of redemption or mandatory tender.

Not later than 2:00 p.m., New York City time, on the Business Day immediately preceding the Purchase Date, the Market Agent is required to notify the Tender Agent of the amount of tendered Series 2016 Bonds which were remarketed and the amount of tendered Series 2016 Bonds which were not remarketed. If such notice indicates that any tendered Series 2016 Bonds were not remarketed, the Tender Agent shall notify the Treasurer of such fact not later than 4:00 p.m., New York City time on the Business Day immediately preceding the Purchase Date. Such notice shall include the amount of tendered Series 2016 Bonds which were not remarketed and are to become Liquidity Provider Bonds and the anticipated amount required to pay the Purchase Price of such Liquidity Provider Bonds.

Not later than 10:30 a.m., New York City time, on the Purchase Date, the Market Agent is required to notify the Tender Agent, the Paying Agent and the Treasurer of the amount of tendered Series 2016 Bonds which were not remarketed. Pursuant to the Series 2016C Supplemental Trust Agreement, the Treasurer is required to provide by 2:00 p.m., New York City time on such date, money to the Tender Agent to pay the Purchase Price of the Series 2016 Bonds which were not remarketed, subject to the limitations described below under "**Liquidity**." If the Market Agent does not notify the Tender Agent of the amount of Series 2016 Bonds that were remarketed and not remarketed, then the Tender Agent shall so advise the Market Agent by telephone, and, absent a response to the contrary from the Market Agent, the Tender Agent may deem all tendered Series 2016 Bonds to have failed to be remarketed and shall request the purchase of all such tendered Series 2016 Bonds pursuant to the Self-Liquidity Facility.

If (i) there is a default in the payment of principal or interest payable on the Series 2016 Bonds, (ii) the Self-Liquidity Facility is no longer in effect or (iii) any conditions set forth in the Market Agent Agreement to the performance of the Market Agent's obligation thereunder to remarket tendered Series 2016 Bonds have not been satisfied, then the Market Agent will not remarket any Series 2016 Bonds.

Liquidity

Liquidity to pay the Purchase Price of the Series 2016 Bonds that are tendered and not remarketed, or are otherwise Contractual Bidder Bonds, will be provided by the State through the Treasurer's use of the investment portfolio of the State Treasury (the "Self-Liquidity Facility"). It is not anticipated that a liquidity facility will be provided by a third party. The Treasurer may, however, enter into one or more liquidity facility agreements (each a "Substitute Liquidity Agreement") which will require a financially responsible party or parties (a "Substitute Liquidity Provider") to purchase all or any portion of the Series 2016 Bonds tendered by the Holders thereof but not remarketed for purchase prior to maturity or Contractual Bidder Bonds, as applicable (a "Substitute Liquidity Facility"). In the event the Treasurer elects to provide a Substitute Liquidity Facility, the Series 2016 Bonds shall be subject to mandatory tender on the Substitution Date. (See **THE SERIES 2016 BONDS –** Tender of Series 2016 Bonds)

Under an agreement of the State set forth in the Series 2016C Supplemental Trust Agreement to provide the Self-Liquidity Facility, the Treasurer has agreed, subject to the limitations described below, to use moneys in the investment portfolio of the State Treasury for the purchase, as an investment of the investment portfolio of the State Treasury, of those Series 2016 Bonds tendered for purchase but not remarketed by the Market Agent as of the close of business on the Business Day immediately preceding the Purchase Date or the unsold balance of the Series 2016 Bonds from the Bid Process (such Series 2016 Bonds hereinafter referred to as "Liquidity Provider Bonds" or "Contractual Bidder Bonds" pending their subsequent remarketing after the Purchase Date). The Self-Liquidity Facility is limited to paying the Purchase Price of the Series 2016 Bonds that have been tendered or left unsold from the Bid Process and not remarketed (i.e., "liquidity support") and is not a commitment or agreement for the payment of the principal of or interest on the Series 2016 Bonds (i.e., "credit support") under the Trust Agreement.

The Self-Liquidity Facility will expire on the final maturity date of the Series 2016 Bonds unless earlier terminated as provided below or if the Treasurer shall redeem or defease the Series 2016 Bonds. The Self-Liquidity Facility shall terminate and shall not be available for the purchase of Series 2016 Bonds tendered but not remarketed by the Market Agent or Series 2016 Bonds left unsold from the Bid Process and not remarketed in the event: (i) there occurs any failure to make timely payment of principal of, interest on or redemption premium, if any, required to be made on the Series 2016 Bonds; or (ii) the General Assembly fails in any State fiscal biennium to appropriate amounts to the DRC sufficient to meet its rental payment obligations to the OPFC under the Lease and the Lease is not reinstated, and in either of (i) or (ii) above such failure remains unremedied. (See **THE LEASE** herein) Anything in the Original Trust Agreement to the contrary notwithstanding, neither the failure of the Treasurer to pay the Purchase Price of any unremarketed Series 2016 Bonds tendered for purchase on a Purchase Date or Contractual Bidder Bonds, to pay or remit any moneys or perform or observe any covenant, agreement or condition relating to the Self-Liquidity Facility nor any failure to remedy the same, will constitute an Event of Default under the Trust Agreement.

There is no obligation to maintain any minimum balances within the investment portfolio of the State Treasury. No guarantee can be made that there will be sufficient moneys within the investment portfolio of the State Treasury on any Purchase Date. With respect to moneys in the investment portfolio of the State Treasury: (i) none shall constitute part of the Pledged Receipts; (ii) only those moneys that are legally available therefor may be used on such Purchase Date to purchase tendered Series 2016 Bonds that are not remarketed or Contractual Bidder Bonds; and (iii) no such moneys shall be directly or indirectly required to be replaced or replenished by, any appropriations by the General Assembly of the State or any funds or other property or by the levy of taxes or excises. THE AGREEMENT TO PROVIDE THE SELF-LIQUIDITY FACILITY DOES NOT REPRESENT OR CONSTITUTE A DEBT OF THE STATE, THE TREASURER, THE DRC, THE OPFC OR ANY POLITICAL SUBDIVISION OF THE STATE, NOR A PLEDGE OF THE FAITH AND CREDIT OF THE STATE, THE TREASURER, THE DRC, THE OPFC OR ANY POLITICAL SUBDIVISION OF THE STATE. THE HOLDERS AND BENEFICIAL OWNERS OF THE SERIES 2016 BONDS WILL HAVE NO RIGHT TO HAVE EXCISES OR TAXES LEVIED BY THE GENERAL ASSEMBLY TO PAY THE PURCHASE PRICE OF TENDERED BUT UNREMARKETED SERIES 2016 BONDS.

Under the Trust Agreement, each owner or holder of any Series 2016 Bonds (or any interest therein), by its payment for and acceptance of such tendered but unremarketed Series 2016 Bonds (or such interest therein), is deemed to acknowledge and agree that no purchase by the Treasurer of such Series 2016 Bonds (or any interest therein) in accordance with the Self-Liquidity Facility will effect any discharge, extinguishment, payment, redemption or cancellation of such Series 2016 Bonds (or any interest therein).

Any Series 2016 Bonds purchased and held by or on behalf of the Treasurer in accordance with the Self-Liquidity Facility will constitute Liquidity Provider Bonds and will bear interest (not exceeding the Maximum Rate). During the period the Series 2016 Bonds are Liquidity Provider Bonds, the Treasurer will be entitled to receive, from the Pledged Receipts, the payment of the principal of and interest on such Series 2016 Bonds, as the same shall become due and payable.

Nothing in the Self-Liquidity Facility is intended or may be construed to give to any Person, other than the Trustee, the Treasurer and the Owners of the Series 2016 Bonds, any legal or equitable right, remedy or claim under or with respect to the Self-Liquidity Facility or any covenants, conditions and provisions in the Self-Liquidity Facility, and no Market Agent or other Person (other than the Trustee, the Treasurer and the Owners of the Series 2016 Bonds) will have any legal or equitable right, remedy or claim under or with respect to the Self-Liquidity Facility or any covenants, conditions or provisions therein. It is intended that the Self-Liquidity Facility and all of the covenants, conditions and provisions thereof will be for the sole and exclusive benefit of the Trustee, the Treasurer and the Owners of the Series 2016 Bonds, and not for the benefit of any other Person.

Registration, Payment and Transfer

The Series 2016 Bonds will be issued and issuable only as one fully registered bond in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"), New York, New York, as Holder of the Series 2016 Bonds. The fully registered Series 2016 Bonds will be retained and immobilized in the custody of DTC. For discussion of the book-entry system and DTC, see **APPENDIX C – BOOK-ENTRY SYSTEM; DTC**. DTC (or any successor Securities Depository), or its nominee, for all purposes under the Trust Agreement will be considered to be the sole Holder of the Series 2016 Bonds.

Payments of Bond Service Charges on the Series 2016 Bonds

The principal of the Series 2016 Bonds will be payable to the Holder (initially DTC, or its nominee) upon presentation and surrender of the Series 2016 Bonds at the designated corporate trust office of the Trustee as Paying Agent for the Series 2016 Bonds. The Series 2016 Bonds will bear interest on their unpaid principal amounts payable on each Interest Payment Date to the Holder (initially DTC, or its nominee) at the address shown on the Bond Register as of the close of business on the Business Day next preceding such Interest Payment Date (the "Regular Record Date"); provided that, so long as the Series 2016 Bonds remain in book-entry form, the Trustee for the Series 2016 Bonds will make any payment of Bond Service Charges by wire transfer of funds on each Interest Payment Date. The Interest Payment Dates for the Series 2016 Bonds are April 1 and October 1, beginning April 1, 2017.

Redemption

Optional Redemption. The Series 2016 Bonds are subject to redemption prior to maturity at the option of the State, acting by and through the Treasurer, in whole or in part, (i) on any Conversion Date or Substitution Date, and (ii) on any Rate Effective Date with 30 days' notice to the Owners of the Series 2016 Bonds, in each case at the redemption price of 100% of the principal amount redeemed plus interest accrued to the redemption date.

Mandatory Redemption[†]. The Series 2016 Bonds shall be subject to Mandatory Sinking Fund Redemption by the Treasurer at a redemption price equal to 100% of the principal amount to be redeemed as shown below:

October 1 Year	Principal Amount	October 1 Year	Principal Amount
2022		2030	
2023		2031	
2024		2032	
2025		2033	
2026		2034	
2027		2035	
2028		2036*	
2029			

*maturity

The Treasurer, at his option, may credit those Series 2016 Bonds which have been redeemed pursuant to optional redemption by the State (and not theretofore applied as a credit against any Mandatory Sinking Fund Redemption Requirement) against any of the Mandatory Sinking Fund Redemption Requirements shown above.

Notice and Procedure for Redemption

When notice of redemption is required, notice of call for redemption of any Series 2016 Bonds identifying the Series 2016 Bonds or portions thereof to be redeemed, the date fixed for redemption and the places where the amounts due upon that redemption are payable, will be given by the Trustee, on behalf of the Treasurer, by mailing a copy of the redemption notice, if applicable no less than 30 days prior to the date fixed for redemption, to the Holders of the Series 2016 Bonds to be redeemed as shown on the Bond Register, at the address then appearing on the Bond Register; provided that failure to receive notice, or any defect in that notice as to any Series 2016 Bond will not affect the validity of the proceedings for the redemption of any other Series 2016 Bond. So long as the Series 2016 Bonds remain in book-entry form, the Trustee will send the notice for those Series 2016 Bonds to the Securities Depository, currently DTC, or its nominee. Any failure of the Securities Depository to notify any Direct or Indirect Participant, or of any Direct or Indirect Participant to notify the Beneficial Owner of any such notice, will not affect the validity of the redemption of the Series 2016 Bonds.

[†] Preliminary; subject to change.

Selection of Series 2016 Bonds to be Redeemed

If fewer than all of the Series 2016 Bonds are to be called for redemption at one time, the Treasurer will determine the maturities of the Series 2016 Bonds to be redeemed. If fewer than all of the Series 2016 Bonds of a single maturity are to be redeemed, the selection of the Series 2016 Bonds to be redeemed, or portions thereof in minimum amounts of $100,000 and multiples of $100,000 in excess thereof, will, so long as such Series 2016 Bonds remain in book-entry form, be made by the Securities Depository and its participants as of the Record Date. If the Series 2016 Bonds are not then in a book-entry form and if less than all of the Series 2016 Bonds of a single maturity are to be redeemed, the selection of Series 2016 Bonds or portions thereof in minimum amounts of $100,000 or in an integral multiple of $100,000 in excess thereof to be redeemed, will be made by the Treasurer in any manner in which the Treasurer shall determine. The unredeemed principal amount of the Series 2016 Bonds shall be equal to Authorized Denominations; and provided further that Liquidity Provider Bonds will be redeemed before any other Series 2016 Bonds.

For so long as the Series 2016 Bonds are registered in book-entry form and the Securities Depository or its nominee is the sole Registered Owner of the Series 2016 Bonds, the Bond Registrar will give notice of redemption only to the Securities Depository, currently DTC or its nominee, as Registered Owner. The allocation and the selection of the book-entry interests of Series 2016 Bonds to be redeemed, and the notice thereof from the Securities Depository, currently DTC or its nominee, will be by and is the sole responsibility of DTC and its Direct Participants and those working through those Direct Participants.

Sources and Uses of Bond Proceeds

The proceeds of the Series 2016 Bonds, together with certain other available moneys, will be applied for the following uses and purposes:

Sources of Funds:	
Par Amount	$32,300,000*
Total Sources	
Uses of Funds:	
Deposit to Improvement Fund[1]	
Financing Costs[2]	
Total Uses	

[1] Referred to as the "Adult Correctional Building Fund" herein.
[2] Includes underwriter's discount, certain legal fees, printing costs and other costs of issuance.

THE BONDS GENERALLY

Constitutional and Statutory Authorization

The Series 2016 Bonds are authorized under Section 2i of Article VIII of the Ohio Constitution. This constitutional amendment, adopted in November 1968, authorized the issuance of State special obligation bonds or notes for the purpose of paying the Costs of Capital Facilities for housing branches and agencies of state government. Chapter 154 of the Revised Code (the "Act") implements the bond issuing aspects of that constitutional provision. The Treasurer has superseded and replaced the Ohio Building Authority (the "Authority") as the issuing authority in all matters relating to the issuance of Obligations for financing the Costs of Capital Facilities for housing branches and agencies of state government, as defined in the Act.

*Preliminary, subject to change.

Prior Bonds and Additional Bonds

The Authority previously issued several series of bonds for the Adult Correctional Building Fund each issued for the purpose of financing or refinancing the Costs of Capital Facilities for housing branches and agencies of state government for the DRC. The Treasurer has the authority to issue Obligations, including the Series 2016 Bonds and any subsequent Additional Bonds under the Trust Agreement, for the purpose of paying Costs of Capital Facilities in an amount not exceeding the amount authorized by the General Assembly (See **APPENDIX A – INFORMATION CONCERNING THE STATE OF OHIO -- STATE DEBT – Constitutional Limitation on Annual Debt Service**) or for the purpose of refunding one or more series or one or more maturities within a series of (i) Prior Bonds, or (ii) Obligations previously issued under the Trust Agreement. Any Additional Bonds will be payable from the Pledged Receipts under the Trust Agreement, on a parity basis with the Series 2016 Bonds and any other Obligations outstanding under the Trust Agreement. (See **APPENDIX B – GLOSSARY AND SUMMARIES OF THE TRUST AGREEMENT AND THE LEASE**)

Security

The Series 2016 Bonds are special obligations of the State issued by the Treasurer under and pursuant to the Trust Agreement. The Series 2016 Bonds are payable solely from, and together with any Additional Bonds and any other Obligations outstanding under the Trust Agreement, are equally and ratably secured by a pledge of the Pledged Receipts. See **Rental Payments and Related Budget Requirements** below.

The Series 2016 Bonds are issued under the Trust Agreement and are payable from appropriations by the General Assembly to the DRC for rental payments under the Lease.

The Series 2016 Bonds will be entitled only to the security afforded by the Pledged Receipts under the Trust Agreement on a parity basis with Additional Bonds and any other Obligations issued under the Trust Agreement. Neither the Projects nor any interest therein is pledged or mortgaged as security for the Series 2016 Bonds, nor will the OPFC, the Trustee or the Treasurer have the right to take possession of or operate the Projects upon a default under, or termination of, the Lease. (See **APPENDIX B – GLOSSARY AND SUMMARIES OF THE TRUST AGREEMENT AND THE LEASE**)

The proceeds of the Series 2016 Bonds deposited in the Adult Correctional Building Fund maintained in the custody of the Treasurer are not held by the Trustee under the Trust Agreement. Funds in the Adult Correctional Building Fund are not pledged as security for the Series 2016 Bonds or any other bonds issued by the Treasurer. (See **ADULT CORRECTIONAL BUILDING FUND**)

Rental Payments and Related Budget Requirements

The Lease requires payment of Basic Rent in an amount at least equal to: (i) Bond Service Charges on all outstanding Obligations issued under the Trust Agreement (whether due as scheduled, as a result of a call for redemption or as a result of an acceleration of principal and interest on such Obligations); and (ii) such sums, if any, as shall be necessary to maintain any Required Reserve in the Bond Service Reserve Account (no Required Reserve is provided for or required with respect to the Series 2016 Bonds or any Obligations previously issued under the Trust Agreement). The Lease also requires payment of Additional Rent in an amount equal to certain administrative fees, expenses and obligations other than Bond Service Charges incurred by the Treasurer and amounts sufficient to pay any rebate amount or other related payments to maintain the exclusion from gross income for federal income tax purposes of the interest on the Series 2016 Bonds pursuant to Section 148(f) of the Code, to the extent not available from other sources.

The Lease requires the OPFC (by and through the Treasurer) to periodically prepare and submit to the DRC reports estimating the rental payments to be due thereunder, taking into account existing moneys on deposit in the Bond Service Fund, which reports must be confirmed by the Director of the State's Office of Budget and Management. The obligation of the DRC to make rental payments pursuant to the Lease are expressly made subject to the appropriation of moneys by the General Assembly for such purpose. Under the Ohio Constitution, an appropriation may not be made beyond the fiscal biennium. The term of the Lease expires no later than the end of each State fiscal biennium (currently June 30 of each odd-numbered year, *e.g.*, June 30, 2017), unless the General Assembly has appropriated funds for the purpose of paying the rents and other sums payable thereunder for the next succeeding State fiscal biennium. The term of the Lease will be renewed for an additional term not exceeding two years (commencing on the first day of the new State fiscal biennium) upon such appropriations becoming effective on or prior to the beginning of each State fiscal biennium (currently July 1 of each odd-numbered year, e.g., July 1, 2017). The present obligation of the DRC to make rental payments under the Lease will continue, so long as the Lease is renewed, until all Obligations issued under the Trust Agreement have been paid. So long as the Lease remains in effect, the obligation of the DRC to make its rental payments thereunder in amounts sufficient to pay the Bond Service Charges and for other purposes set forth above are absolute and unconditional, subject only to the availability of moneys appropriated for such

purpose. In the Lease, the DRC has agreed to submit budget requests in accordance with applicable laws in amounts sufficient to pay rental payments under the Lease.

The obligation of the DRC to make rental payments under the Lease are subject to and dependent upon biennial appropriations for the DRC being made by the General Assembly for such purpose. As noted above, the General Assembly may not, under the provisions of the Ohio Constitution, make appropriations for a period longer than two years. While the Treasurer and the OPFC expect that the General Assembly will, for each State fiscal biennium, continue to appropriate amounts to the DRC sufficient to meet its rental payment obligations to the OPFC under the Lease consistent with the State budget, the General Assembly is not under a legal obligation to make appropriations in accordance with such State budgets for future State fiscal biennia. Accordingly, none of the Treasurer, the OPFC or the DRC can make any assurance that appropriations will be made. THE SERIES 2016 BONDS ARE SPECIAL OBLIGATIONS OF THE STATE ISSUED BY THE TREASURER PAYABLE SOLELY FROM THE PLEDGED RECEIPTS UNDER THE TRUST AGREEMENT. THE SERIES 2016 BONDS DO NOT REPRESENT OR CONSTITUTE A DEBT OF THE STATE, THE TREASURER, THE DRC OR ANY POLITICAL SUBDIVISION OF THE STATE, NOR A PLEDGE OF THE FAITH AND CREDIT OF THE STATE, THE TREASURER, THE DRC, THE OPFC OR ANY POLITICAL SUBDIVISION OF THE STATE. THE HOLDERS AND BENEFICIAL OWNERS OF THE SERIES 2016 BONDS WILL HAVE NO RIGHT TO HAVE EXCISES OR TAXES LEVIED BY THE GENERAL ASSEMBLY FOR THE PAYMENT OF THE BOND SERVICE CHARGES ON THE SERIES 2016 BONDS. (See **APPENDIX B – GLOSSARY AND SUMMARIES OF THE TRUST AGREEMENT AND THE LEASE**)

CONTEMPORANEOUS FINANCING

The State, acting by and through the Treasurer, intends to sell approximately $47,700,000 in par amount of bonds for the State's Adult Correctional Building Fund program pursuant to separate offering documents, which bonds will be in a common plan of finance with the Series 2016 Bonds, will be parity Obligations and will close and be delivered contemporaneously with the Series 2016 Bonds.

THE PROJECTS

The Projects financed with proceeds from the Series 2016 Bonds include a portion of the costs of various Capital Facilities of the DRC as provided in the General Assembly appropriation acts. These capital improvements consist of acquiring, constructing, reconstructing, rehabilitating, remodeling, renovating, enlarging, improving, altering, equipping and furnishing such facilities, including the sites therefor.

DEPARTMENT OF REHABILITATION AND CORRECTION

The Department of Rehabilitation and Correction (the "DRC") was created by legislation in 1972 amending Chapter 121 and adding Chapter 5120 to the Ohio Revised Code which separated the responsibilities and functions of the DRC from those of what was then the Department of Mental Health and Mental Retardation. The DRC is empowered by law to maintain, operate, manage and govern all State institutions for the custody, control, training and rehabilitation of persons convicted of crime and sentenced to penal institutions. The DRC utilizes 27 correctional institutions for those purposes. The DRC does not have jurisdiction over juvenile offenders, who are the responsibility of the Department of Youth Services. The DRC is administered by the Director of Rehabilitation and Correction, who is appointed by the Governor with the advice and consent of the Senate.

ADULT CORRECTIONAL BUILDING FUND

The Adult Correctional Building Fund was created by the General Assembly in the State Treasury as a separate account in the custody of the Treasurer. A portion of the proceeds from the sale of the Series 2016 Bonds will be deposited in the Adult Correctional Building Fund. (See **THE SERIES 2016 BONDS – Sources and Uses of Bond Proceeds**) Moneys in the Adult Correctional Building Fund are applied and disbursed for the payment or reimbursement of Costs of Capital Facilities incurred for and in connection with the Projects and are invested and reinvested in accordance with law and in accordance with procedures therefor established by the Treasurer, the DRC and the Director of Budget and Management. Any investment income or moneys in the Adult Correctional Building Fund shall be credited to that fund, but may be transferred to the Administrative Service Fund to pay any rebate amount, or to pay an amount in lieu of or in addition to any rebate amount to be paid to the United States of America to maintain the exclusion from gross income for federal income tax purposes of interest on bonds, including the Series 2016 Bonds pursuant to Section 148(f) of the Code.

Moneys on deposit in the Adult Correctional Building Fund are not pledged to the payment of Bond Service Charges on the Series 2016 Bonds or any other Obligations issued by the Treasurer.

OHIO PUBLIC FACILITIES COMMISSION

The Ohio Public Facilities Commission (the "OPFC") is a body politic and corporate, constituting an agency and instrumentality of the State and performing essential functions of the State. It is comprised of six members, being the incumbents in the elective offices of Governor (John R. Kasich), Attorney General (Mike DeWine), Auditor of State (Dave Yost), Secretary of State (Jon Husted), Treasurer of State (Josh Mandel), and the Director of Budget and Management (Timothy S. Keen, appointed by the Governor with the consent of the Senate, and serving at the pleasure of the Governor). The Governor serves as the Chair, the Treasurer of State as the Treasurer and the Director of Budget and Management as the Secretary of the Commission. The current elective terms run to January 2019. Commission members may, at Commission meetings, act through appointed designees.

THE TRUST AGREEMENT

The Trust Agreement provides for a pledge of the Pledged Receipts (primarily the Basic Rent payable under the Lease) by the State to the Trustee, for the benefit of Holders of the Obligations issued under the Trust Agreement, including the Series 2016 Bonds. All outstanding Obligations issued under the Trust Agreement are equally and ratably secured, without distinction by reason of series designation, number, date of authorization, issuance, sale, execution or delivery, or issue date or of maturity, by the pledge of the Pledged Receipts to the extent provided in, and except as otherwise permitted by, the General Bond Order.

Nothing in the Act, the General Bond Order, the Trust Agreement or other Bond Proceedings gives the holders of Obligations, and they do not have, the right to have the General Assembly levy any excises or taxes for the payment of Bond Service Charges; each Obligation bears on its face a statement to that effect and to the effect that the right of Bondholders to the payment of Bond Service Charges is limited to payment from the Pledged Receipts, the Bond Service Account, and any other source of moneys as provided in the General Bond Order and in the Series 2016C Order. However, nothing in the Trust Agreement or in other Bond Proceedings shall be deemed to prohibit the Treasurer or the State, of the Treasurer's or the State's own volition, from using to the extent lawfully authorized to do so any other resources for the fulfillment of the terms, conditions or obligations of the Bond Proceedings and the Obligations.

The Trust Agreement is an essential document for the security of the Series 2016 Bonds and should be read in its entirety. For additional information and a document summary of the Trust Agreement, see **APPENDIX B – GLOSSARY AND SUMMARIES OF THE TRUST AGREEMENT AND THE LEASE**.

THE LEASE

The Act provides that the OPFC may lease any Capital Facilities to, and make or provide for other agreements with respect to the use or purchase of such Capital Facilities with, the DRC and, with its approval, any governmental agency having authority under law to operate such Capital Facilities. The OPFC and the DRC have previously entered into the Lease and will enter into a supplemental lease agreement in connection with the Projects to be financed with proceeds of the Series 2016 Bonds and the issuance of the Series 2016 Bonds. An additional supplemental lease agreement will be entered into in connection with each issue of Additional Bonds under the Trust Agreement identifying the Projects to be financed or refinanced and providing for the related rentals.

The agreement of the DRC to make rental payments pursuant to the Lease, and to perform other obligations involving expenditures thereunder, at the times and in the amounts provided for in the Lease, is effective and binding upon the DRC only when and to the extent that funds have been appropriated by the General Assembly and are available for that purpose. Under the Ohio Constitution, an appropriation may not be made beyond the fiscal biennium, and the Lease may be renewed only for two-year periods. Under the terms of the Lease, a failure by the General Assembly to appropriate moneys at least equal to Bond Service Charges for the Lease, amounts the OPFC estimates are necessary for Additional Rent under the Lease, and other sums payable under the Lease for the next State fiscal biennium would result in the termination of the Lease at the end of the two-year term then in effect. The Lease will, however, be fully reinstated, as if it had never been terminated, provided (a) all overdue installments, if any, of interest on outstanding Obligations, all principal of all Obligations then outstanding which have become due and payable otherwise than by acceleration, if any, in accordance with the terms of the Trust Agreement, and all other sums then payable under or pursuant to the Trust Agreement (except the principal of and the interest on such Obligations which by such acceleration shall have become due and payable) shall have been paid, and such acceleration, if any, shall have been duly rescinded and annulled, and (b) the General Assembly shall have appropriated funds

to enable the DRC to pay or provide for the payment of the amounts to be paid under the Lease. Then in such event, the Lease shall be fully reinstated as if it had never been terminated.

Under the provisions of the Ohio Constitution, appropriations by the General Assembly may not be made for a period longer than the fiscal biennium, which begins July 1 and ends June 30 in each odd-numbered year. While the Treasurer and the OPFC expect that for each State fiscal biennium the General Assembly will appropriate amounts to the DRC estimated to be sufficient to meet payments under the Lease consistent with the State budget, the General Assembly is not under a legal obligation to make such appropriations to the DRC. Accordingly, none of the Treasurer, the OPFC or the DRC can make any assurance that appropriations will be made. Section 2i of Article VIII of the Ohio Constitution and the Act provide that the owners and Holders of the Series 2016 Bonds are not given the right to have excises or taxes levied by the General Assembly for the payment of principal or interest thereon.

The Lease is an essential document for the security of the Series 2016 Bonds and should be read in its entirety. For additional information and a document summary of the Lease, see **APPENDIX B – GLOSSARY AND SUMMARIES OF THE TRUST AGREEMENT AND THE LEASE**.

MARKET AGENT

Under a Market Agent Agreement dated as of October 1, 2016 (the "Market Agreement") between Arbor Research and Trading, LLC (the "Market Agent") and the State, acting by and through the Treasurer, the Market Agent will be appointed as the initial Market Agent for the Series 2016 Bonds to operate the Alternative Trading System for the establishment of the Clearing Market Rates and to remarket the Series 2016 Bonds while they trade in the Alternative Trading System Mode. (See **APPENDIX D – ALTERNATIVE TRADING SYSTEM; BIDDING PROCEDURES**)

TAX MATTERS

General

In the opinion of Bricker & Eckler LLP, Bond Counsel to the Treasurer, under existing law: (i) interest on the Series 2016 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; and (ii) the Series 2016 Bonds, the transfer thereof, and the income therefrom, including any profit made on the sale thereof, are free from taxation within the State of Ohio, except the estate tax, the domestic insurance company tax, the dealers in intangibles tax, the tax levied on the basis of the total equity capital of financial institutions, and the net worth base of the corporate franchise tax. Interest on the Series 2016 Bonds may be subject to certain federal taxes imposed only on certain corporations, and certain taxpayers may have other federal tax consequences as a result of owning the Series 2016 Bonds. Bond Counsel expresses no opinion as to any other tax consequences regarding the Series 2016 Bonds.

The opinion on tax matters will be based on and will assume the accuracy of certain representations and certifications, and continuing compliance with certain covenants, of the State contained in the transcript of proceedings and that are intended to evidence and assure the foregoing, including that the Series 2016 Bonds are and will remain obligations the interest on which is excluded from gross income for federal income tax purposes. Bond Counsel will not independently verify the accuracy of the certifications and representations, or the continuing compliance with covenants, of the State.

The opinion of Bond Counsel is based on current legal authority and covers certain matters not directly addressed by such authority. It represents Bond Counsel's legal judgment as to exclusion of interest on the Series 2016 Bonds from gross income for federal income tax purposes but is not a guaranty of that conclusion. The opinion is not binding on the Internal Revenue Service ("IRS") or any court. Bond Counsel expresses no opinion about (i) the effect of future changes in the Code and the applicable regulations under the Code or (ii) the interpretation and the enforcement of the Code or those regulations by the IRS.

The Code prescribes a number of qualifications and conditions for the interest on state and local government obligations to be and to remain excluded from gross income for federal income tax purposes, some of which require future or continued compliance after issuance of the obligations. Noncompliance with these requirements by the State may cause loss of such status and result in the interest on the Series 2016 Bonds being included in gross income for federal income tax purposes retroactively to the date of issuance of the Series 2016 Bonds. The State has covenanted to take the actions required of it for the interest on the Series 2016 Bonds to be and to remain excluded from gross income for federal income tax purposes and not to take any actions that would adversely affect that exclusion. After the date of issuance of the Series 2016 Bonds,

Bond Counsel will not undertake to determine (or to so inform any person) whether any actions taken or not taken, or any events occurring or not occurring, or any other matters coming to Bond Counsel's attention, may adversely affect the exclusion from gross income for federal income tax purposes of interest on the Series 2016 Bonds or the market value of the Series 2016 Bonds.

A portion of the interest on the Series 2016 Bonds earned by certain corporations may be subject to a federal corporate alternative minimum tax. In addition, interest on the Series 2016 Bonds may be subject to a federal branch profits tax imposed on certain foreign corporations doing business in the United States and to a federal tax imposed on excess net passive income of certain S corporations. Under the Code, the exclusion of interest from gross income for federal income tax purposes may have certain adverse federal income tax consequences on items of income, deduction or credit for certain taxpayers, including financial institutions, certain insurance companies, recipients of Social Security and Railroad Retirement benefits, those that are deemed to incur or continue indebtedness to acquire or carry tax-exempt obligations, and individuals otherwise eligible for the earned income tax credit. The applicability and extent of these and other tax consequences will depend upon the particular tax status or other tax items of the owner of the Series 2016 Bonds. Bond Counsel will express no opinion regarding those consequences.

Payments of interest on tax-exempt obligations, including the Series 2016 Bonds, are generally subject to IRS Form 1099-INT information reporting requirements. If a Series 2016 Bond owner is subject to backup withholding under those requirements, then payments of interest will also be subject to backup withholding. Those requirements do not affect the exclusion of such interest from gross income for federal income tax purposes.

Prospective purchasers of the Series 2016 Bonds should consult their own tax advisers regarding pending or proposed federal and state tax legislation and court proceedings, and prospective purchasers of the Series 2016 Bonds at other than their original issuance at the prices indicated on the Cover of this Official Statement should also consult their own tax advisers regarding other tax considerations such as the consequences of market discount, as to all of which Bond Counsel expresses no opinion.

Bond Counsel's engagement with respect to the Series 2016 Bonds ends with the issuance of the Series 2016 Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the State, the Treasurer, the DRC, the OPFC, owners or Beneficial Owners of the Series 2016 Bonds regarding the tax status of interest on the Series 2016 Bonds in the event of an audit examination by the IRS. The IRS has a program to audit tax-exempt obligations to determine whether the interest thereon is includible in gross income for federal income tax purposes. If the IRS does audit the Series 2016 Bonds, under current IRS procedures, the IRS will treat the State as the taxpayer and the owners and Beneficial Owners of the Series 2016 Bonds will have only limited rights, if any, to obtain and participate in judicial review of such audit. Any action of the IRS, including but not limited to selection of the Series 2016 Bonds for audit, or the course or result of such audit, or an audit of other obligations presenting similar tax issues, may affect the market values of the Series 2016 Bonds.

Risk of Future Legislative Changes and/or Court Decisions

Legislation affecting tax-exempt obligations is regularly considered by the United States Congress and may also be considered by the State legislature. Court proceedings may also be filed, the outcome of which could modify the tax treatment of obligations such as the Series 2016 Bonds. There can be no assurance that legislation enacted or proposed, or actions by a court, after the date of issuance of the Series 2016 Bonds will not have an adverse effect on the tax status of interest or other income on the Series 2016 Bonds or the market value or marketability of the Series 2016 Bonds. These adverse effects could result, for example, from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax), or repeal (or reduction in the benefit) of the exclusion of interest on the Series 2016 Bonds from gross income for federal income tax purposes or of the Series 2016 Bonds from gross income for state income tax purposes for all or certain taxpayers.

For example, recent Presidential and Congressional proposals would eliminate, reduce or otherwise alter the tax benefits currently provided to certain owners of state and local government bonds, including proposals that would result in additional federal income tax on taxpayers that own tax-exempt obligations if their incomes exceed certain thresholds. Investors in the Series 2016 Bonds should be aware that any such future legislative actions (including federal income tax reform) may retroactively change the treatment of all or a portion of the interest on the Series 2016 Bonds for federal income tax purposes for all or certain taxpayers. In such event, the market value of the Series 2016 Bonds may be adversely affected and the ability of owners and Beneficial Owners to sell their Series 2016 Bonds in the secondary market may be reduced. The Series 2016 Bonds are not subject to special mandatory redemption, and the interest rates on the Series 2016 Bonds are not subject to adjustment in the event of any such change.

Investors should consult their own financial and tax advisers to analyze the importance of these risks.

LITIGATION

There is no litigation pending contesting the validity of the Series 2016 Bonds or the proceedings for their authorization, issuance, sale, execution and delivery. A no-litigation certificate to that effect will be delivered to the Underwriter at the time of original delivery of the Series 2016 Bonds.

The Treasurer, the DRC, the OPFC and the State are parties to various legal proceedings seeking damages or injunctive relief, which are generally incidental to their respective operations, but unrelated to the security for the Series 2016 Bonds. The ultimate disposition of these proceedings is not presently determinable, but in the opinion of the Ohio Attorney General will not have a material adverse effect on the Series 2016 Bonds or the security for the Series 2016 Bonds.

LEGAL OPINIONS

Legal matters incident to the issuance of the Series 2016 Bonds and with regard to the tax-exempt status of the interest thereon (see **TAX MATTERS**) are subject to the approving legal opinion of Bricker & Eckler LLP, Bond Counsel. The signed legal opinion for the Series 2016 Bonds dated as of, and premised on the transcript of proceedings examined and law in effect on, the date of original delivery of the Series 2016 Bonds, will be delivered to the Underwriter at the time of that original delivery.

The proposed text of Bond Counsel's legal opinion is set forth as **EXHIBIT A** hereto. The legal opinion to be delivered may vary from that text if necessary to reflect facts and law on the date of delivery. The opinion will speak only as of its date, and subsequent distribution by recirculation of the Official Statement or otherwise should not create any implication that Bond Counsel has reviewed or expressed any opinion concerning any of the matters referred to in the opinion subsequent to its date.

Certain legal matters will be passed upon for the Treasurer by his counsel, Mike DeWine, Attorney General of Ohio, and Dinsmore & Shohl, LLP, which is serving as Issuer Counsel and Disclosure Counsel to the Treasurer. Certain legal matters also will be passed upon for the DRC by the Attorney General of Ohio. Certain legal matters will be passed upon for the Underwriter by Calfee, Halter & Griswold LLP.

RATINGS

In response to the Treasurer's application, the Series 2016 Bonds have been assigned the long and short-term ratings of AA/F1+ (stable outlook) by Fitch Ratings ("Fitch"), Aa2/VMIG 1 (stable outlook) by Moody's Investors Service, Inc. ("Moody's") and AA/A-1+ (stable outlook) by S&P Global Ratings, a division of S&P Global Inc. ("S&P").

The ratings in effect from time to time reflect only the views of the particular rating organization. The explanation of its views of its ratings' meaning and significance may be obtained from the respective rating agency. The State and the Treasurer furnished to each rating agency certain information and materials, some of which may not be included in this Official Statement, relating to the Series 2016 Bonds and other obligations, the State, the Treasurer and the DRC. Generally, rating agencies base their ratings on that information and materials, and on their own investigations, studies and assumptions.

There can be no assurance that the ratings assigned will continue for any given time, or that a rating will not be lowered or withdrawn by a rating agency if in its judgment circumstances so warrant. Any downward change in or withdrawal of a rating, or change in rating outlook or other actions of a rating agency, may have an adverse effect on the marketability and market price of the Series 2016 Bonds.

UNDERWRITING

KeyBanc Capital Markets Inc., as Underwriter, has agreed, subject to certain conditions, to purchase the Series 2016 Bonds from the Treasurer at a price of $_____ (consisting of the par amount thereof ($_____) less underwriter's discount ($_____)).

The Underwriter is obligated to purchase all of the Series 2016 Bonds if any Series 2016 Bonds are purchased. The Underwriter may offer the Series 2016 Bonds to certain dealers (including dealers depositing the Series 2016 Bonds into unit investment trusts, certain of which may be sponsored or managed by the Underwriter) at prices different than the public offering prices, and may change the public offering prices from time to time.

MUNICIPAL ADVISOR

PFM Financial Advisors LLC (the "Municipal Advisor") is serving as the municipal advisor to the Treasurer in connection with the issuance and sale of the Series 2016 Bonds. The Municipal Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in the Official Statement. The Municipal Advisor is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

TRANSCRIPT AND CLOSING CERTIFICATES

Upon delivery of the Series 2016 Bonds, a complete transcript of proceedings and no-litigation certificate (as described above) will be delivered by the Treasurer to the Underwriter. At that time, the Treasurer will furnish to the Underwriter a certificate relating to the accuracy and completeness of this Official Statement (including matters set forth in or contemplated by it), and to its being a "final official statement" for purposes of Securities and Exchange Commission (SEC) Rule 15c2-12(b)(3).

CONTINUING DISCLOSURE AGREEMENT

The Treasurer and the Ohio Office of Budget and Management, each on behalf of the State (the "Obligated Person"), have agreed, for the benefit of the Holders and Beneficial Owners of the Series 2016 Bonds, in accordance with SEC Rule 15c2-12 (the "Rule"), to provide or cause to be provided such financial information and operating data (the "Annual Information"), audited financial statements and notices, in such manner, as may be required for purposes of paragraph (b)(5)(i) of the Rule (the "Continuing Disclosure Agreement").

The Treasurer and the Ohio Office of Budget and Management on the State's behalf, will provide to the Municipal Securities Rulemaking Board (the "MSRB") through its Electronic Municipal Market Access ("EMMA") system:

- Annual Information for each State Fiscal Year (beginning with Fiscal Year 2017) not later than the 90th day following the end of the Fiscal Year (or, if that is not a State business day, the next State business day), consisting of annual financial information and operating data of the type included in **APPENDIX A** of this Official Statement under the captions **FISCAL MATTERS**, **STATE DEBT**, **STATE EMPLOYEES AND COLLECTIVE BARGAINING AGREEMENTS, RETIREMENT SYSTEMS** and **TAX LEVELS AND TAX BASES**. The Treasurer expects that Annual Information will be provided directly by the State (specifically, by OBM) and may be provided in part by cross-reference to other documents, such as the State's Comprehensive Annual Financial Report, and subsequent final official statements.

- When and if available, audited general purpose financial statements of the State for each Fiscal Year. The Treasurer expects that those financial statements will be prepared, that they will be available separately from the Annual Information, and that the accounting principles to be applied in their preparation will, except as may otherwise then be stated, be as described under and by reference in **APPENDIX A** under **FISCAL MATTERS - Accounts and Controls**; **Financial Report**.

- Notices of the occurrence of any of the following events, within the meaning of the Rule, with respect to the Series 2016 Bonds within 10 business days of its occurrence:

  - principal and interest payment delinquencies

  - non-payment related defaults, <u>if material</u>

  - unscheduled draws on any debt service reserves or on credit enhancements reflecting financial difficulties

  - substitution of credit or liquidity providers, or their failure to perform

  - adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Series 2016 Bonds, or other material events affecting the tax status of the Series 2016 Bonds

  - modifications to rights of Series 2016 Bond holders, <u>if material</u>

- Series 2016 Bond calls, if material, and tender offers
- defeasances
- release, substitution, or sale of property securing repayment of the Series 2016 Bonds, if material
- rating changes
- bankruptcy, insolvency, receivership or similar event of the Obligated Person
- the consummation of a merger, consolidation, or acquisition involving the Obligated Person or the sale of all or substantially all of the assets of the Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material
- appointment of a successor or additional trustee or the change of the name of a trustee, if material

- Notice of the failure to provide the Annual Information within the specified time.
- Notice of any material change in the accounting principles applied in the preparation of the annual financial statements or in the Fiscal Year, any failure of the General Assembly to appropriate moneys for the purpose of paying costs to be incurred by the State in performing the Continuing Disclosure Agreement for the applicable fiscal period (biennium), and termination of the Agreement.

There are no debt service reserves, or credit enhancements or credit providers for the Series 2016 Bonds, or any property (except the Bond Service Fund) securing repayment for the Series 2016 Bonds.

The Treasurer reserves the right to amend the Continuing Disclosure Agreement, and to obtain the waiver of noncompliance with any provision of the Continuing Disclosure Agreement, as may be necessary or appropriate for any of the following:

- To achieve compliance with any applicable federal securities law or rule.
- To cure any ambiguity, inconsistency or formal defect or omission.
- To address any change in circumstances arising from a change in legal requirements, change in law, or change in the identity, nature, or status of the Obligated Person.

Any such amendment or waiver will not be effective unless the Continuing Disclosure Agreement (as amended or taking into account the waiver) would have complied with the requirements of the Rule at the time of the primary offering of the Series 2016 Bonds, after taking into account any applicable amendments to or official interpretations of the Rule, as well as any change in circumstances, and until the Treasurer shall have received either:

- A written opinion of bond or other qualified independent special counsel selected by the Treasurer that the amendment or waiver would not materially impair the interest of holders or Beneficial Owners of the Series 2016 Bonds, or
- The written consent to the amendment, or waiver, by the holders of at least a majority of the aggregate outstanding principal amount of the Series 2016 Bonds.

The Continuing Disclosure Agreement will be solely for the benefit of the holders and beneficial owners of the Series 2016 Bonds including holders of book-entry interests in them. The right to enforce the provisions of the Continuing Disclosure Agreement may be limited to a right of the holders or beneficial owners to enforce to the extent permitted by law (by mandamus, or other suit, action or proceedings at law or in equity) the obligations and duties under it.

In order to provide certain continuing disclosure with respect to the Series 2016 Bonds in accordance with the Rule, the State has entered into a Disclosure Dissemination Agent Agreement (the "Disclosure Dissemination Agreement") for the benefit of the holders of the Series 2016 Bonds with Digital Assurance Certification, L.L.C. ("DAC"), under which the State has designated DAC as Disclosure Dissemination Agent ("Disclosure Dissemination Agent").

The Disclosure Dissemination Agent has only the duties specified in the Disclosure Dissemination Agreement. The Disclosure Dissemination Agent's obligation to deliver the information at the times and with the contents described in the Disclosure Dissemination Agreement is limited to the extent the State has provided that information to the Disclosure Dissemination Agent as required by that Disclosure Dissemination Agreement. The Disclosure Dissemination Agent has no duty with respect to the content of any disclosures or notice made pursuant to the terms of the Disclosure Dissemination Agreement or duty or obligation to review or verify any information in the Annual Report, Audited Financial Statements, notice of Notice Event or Voluntary Report (as defined in the Disclosure Dissemination Agreement), or any other information, disclosure or notices provided to it by the State, and the Disclosure Dissemination Agent shall not be deemed to be acting in any fiduciary capacity for the State, the holders of the Series 2016 Bonds or any other party. The Disclosure Dissemination Agent has no responsibility for any failure to report to the Disclosure Dissemination Agent a Notice Event or a duty to determine the materiality thereof, or to determine or liability for failing to determine whether the State has complied with the Continuing Disclosure Agreement, and the Disclosure Dissemination Agent may conclusively rely upon certification of the State at all times.

The performance by the Treasurer or the Ohio Office of Budget and Management acting for the State, as the only Obligated Person with respect to the Series 2016 Bonds, of the Continuing Disclosure Agreement will be subject to the biennial appropriation by the General Assembly of moneys for that purpose.

The Continuing Disclosure Agreement will remain in effect only for such period that the Series 2016 Bonds are outstanding in accordance with their terms and the State remains an Obligated Person with respect to the Series 2016 Bonds within the meaning of the Rule.

During the past five years the State has complied in all material respects with its continuing disclosure agreements under the Rule relating to the State's special obligation bonds, the debt service on which is subject to biennial appropriations by the General Assembly.

ELIGIBILITY FOR INVESTMENT AND AS PUBLIC MONEYS SECURITY

Provided that the matter as to a particular investor is governed by Ohio law, and subject to any applicable limitations under other provisions of Ohio law, under the Act the Series 2016 Bonds are lawful investments for banks, societies for savings, savings and loan associations, deposit guarantee associations, trust companies, trustees, fiduciaries, insurance companies (including domestic for life and domestic not for life), trustees or other officers having charge of sinking and bond retirement or other special funds of political subdivisions and taxing districts of the State, the commissioners of the sinking fund of the State, the administrator of workers' compensation, and State retirement systems (teachers, public employees, school employees and police and fire).

The Act also provides that the Series 2016 Bonds are acceptable under Ohio law as security for the repayment of the deposit of public moneys.

Owners of book-entry interests in the Series 2016 Bonds should make their own determination as to such matters as the legality of investment in or the ability to pledge book-entry interests.

CONCLUDING STATEMENT

All quotations in this Official Statement from, and summaries and explanations of, the Ohio Constitution, the Revised Code, the Trust Agreement, the Lease, the General Bond Order and the Series 2016C Order do not purport to be complete. Reference is made to the pertinent provisions of the Ohio Constitution, the Revised Code and those documents for all complete statements of their provisions. Copies of the Trust Agreement, the Lease, the General Bond Order and the Series 2016C Order are available upon request from the Treasurer, 30 East Broad Street, 9th Floor, Columbus, Ohio 43215 (telephone (614) 466-2160).

To the extent that any statements in this Official Statement involve matters of opinion or estimates (whether or not expressly stated to be such) those statements are made as such and not as representations of fact or certainty. No representation is made that any of those statements will be realized. Information in this Official Statement has been derived by the State, the Treasurer and the DRC from official and other sources and is believed by the State, the Treasurer and the DRC to be reliable, but information other than that obtained from State official records has not been independently confirmed or verified by the State or Treasurer and its accuracy is not guaranteed.

This Official Statement is not to be construed as a contract or agreement between the State or the Treasurer and the Underwriter or subsequent owners of the Series 2016 Bonds or of book-entry interests in them.

This Official Statement has been prepared, approved, executed and delivered by the Treasurer in his official capacity on behalf of the State.

STATE OF OHIO

By:_____
Josh Mandel
State Treasurer of Ohio

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APPENDIX A

INFORMATION CONCERNING THE STATE OF OHIO

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APPENDIX A

INFORMATION CONCERNING THE STATE OF OHIO

The following discusses certain matters relating to general State finances and debt, and the State's economy and employment, population, agriculture, resources, tax bases and related subjects. This information is from the State's official records, except for information expressly attributed to other sources, and summarizes and describes current and recent historical information. It is not intended to indicate future or continuing trends in the financial or other positions of the State. No representation is made that past experience, as might be shown by this financial and other information, will necessarily continue in the future.

Owners of the Series 2016 Bonds have no right to have taxes or excises levied by the General Assembly to pay Bond Service Charges.

FISCAL MATTERS

General

Consistent with the constitutional provision that no appropriation may be made for a period longer than two years, the State operates on the basis of a fiscal biennium for its appropriations and expenditures. Under current law that biennium for operating purposes runs from July 1 in an odd-numbered year to June 30 in the next odd-numbered year (e.g., the current fiscal biennium began July 1, 2015 and ends June 30, 2017). Within a fiscal biennium, the State operates on the basis of a July 1 to June 30 Fiscal Year. The biennium for general capital appropriations purposes runs from July 1 in an even-numbered year to June 30 in the next even-numbered year. Consistent with the fiscal biennium for operating purposes, the Governor is generally required to submit the Executive Budget to the General Assembly in February of each odd-numbered year. Appropriations legislation reflecting that Executive Budget is then introduced for committee hearings and review first in the House and then in the Senate, with that appropriations legislation as approved by the General Assembly then presented to the Governor for his approval (with possible line item vetoes). See **FISCAL MATTERS – Recent and Current Finances – Current Biennium** for discussion of appropriations for the 2016-17 fiscal biennium.

Authority for appropriating State moneys subject to appropriation rests in the bicameral General Assembly, which consists of a 99-member House of Representatives (elected to two-year terms) and a 33-member Senate (elected to overlapping four-year terms). Members of both houses are subject to term limits, with a maximum of eight consecutive years in either. The Governor has veto power, including the power to make line-item vetoes in bills making appropriations. Vetoes may be overridden by a three-fifths vote of each house.

The Constitution requires the General Assembly to "provide for raising revenue, sufficient to defray the expenses of the state, for each year, and also a sufficient sum to pay the principal and interest as they become due on the state debt." The State is effectively precluded by law from ending a Fiscal Year or a biennium in a "deficit" position. State borrowing to meet casual deficits or failures in revenues or to meet expenses not otherwise provided for is limited by the Constitution to $750,000.

Most State operations are financed through the General Revenue Fund (GRF). Personal income and sales and use taxes are the major sources of GRF tax revenue. The last complete fiscal year ended June 30, 2016 with a GRF fund balance (after year-end transfers) of $610.2 million. The State has a "rainy day" fund (the Budget Stabilization Fund (BSF)) which for Fiscal Year 2017 and until used is intended to carry a balance of up to 8.5% of the GRF revenue for the preceding Fiscal Year (this amount was 5% for Fiscal Year 2015 and prior years). The current BSF balance is $2.034 billion, which equals 6.0% of Fiscal Year 2016 GRF revenue. Recent Fiscal Year-end BSF balances and their percent of GRF revenue for that Fiscal Year were:

Fiscal Year-Ending	BSF Balance(a)	% of GRF Revenue
2011	$246,900,000	0.9%
2012	482,000,000	1.8
2013	1,477,934,000	5.0
2014	1,477,934,000	5.1
2015	2,004,569,000	6.4
2016	2,034,051,000	6.0

(a) Reflects balance after year-end transfer into BSF; actual cash transfers into the BSF occur early in the following Fiscal Year.

The Revised Code provides that if the Governor ascertains that the available revenue receipts and balances for the GRF or other funds for the then current Fiscal Year will in all probability be less than the appropriations for that Fiscal Year, the Governor shall issue such orders to State agencies as will prevent their expenditures and incurred obligations from exceeding those revenue receipts and balances. As discussed under **Recent and Current Finances**, the Governor implemented this directive in the 2008-09 biennium as also had been done several times in prior fiscal biennia.

Listed in the tables below under **Recent Receipts and Disbursements** are the major categories of State revenue sources, including taxes and excises, and the amounts received from those categories. There is no present constitutional limit on the rates of those State levied taxes and excises (except for taxes on intangible property which the State does not currently levy).

At present the State itself does not levy ad valorem taxes on real or tangible personal property. Ad valorem taxes on tangible personal property of public utilities and on real property are levied by political subdivisions and local taxing districts, and State law does not currently allow the imposition of a general ad valorem tax on tangible personal property. The Constitution has since 1934 limited the amount of the aggregate levy of ad valorem property taxes on particular property, without a vote of the electors or municipal charter provision, to 1% of true value in money, and statutes limit the amount of that aggregate levy without a vote or charter provision to 10 mills per $1 of assessed valuation -- commonly referred to in the context of Ohio local government finance as the "ten-mill limitation." See **TAX LEVELS AND TAX BASES** for a discussion of the phase-out of local tangible personal property taxes in 2006 through 2009.

The Constitution directs or restricts the use of certain revenues. Highway fees and excises, including gasoline taxes, are limited in use to highway-related purposes. Not less than 50% of the receipts from State income taxes must be returned to the originating political subdivisions and school districts. State net lottery profits are allocated to elementary, secondary, vocational and special education program purposes, including application to debt service on obligations issued to finance capital facilities for a system of common schools.

Constitutional amendments relating to taxation, revenues, expenditures, debt or other subjects may be proposed by action of three-fifths of the members elected to each house of the General Assembly or by initiative petition signed by electors numbering at least 10% of the total number of votes last cast for the office of Governor. Adoption of a proposed amendment requires approval by a majority of electors voting on it at a statewide election. The Ohio Constitution expressly provides that the General Assembly has no power to pass laws impairing the obligation of contracts.

Accounts and Controls; Financial Reports

With each office performing specific functions relating to State expenditures, the Office of Budget and Management (OBM) and the Treasurer of State account for and report on the State's fiscal affairs.

OBM maintains records of the appropriations made by the General Assembly, and its Director, appointed by the Governor, certifies the availability of unencumbered appropriations as a condition of contract validity. OBM fiscal functions include the development and oversight of operating and capital budgets as well as the review, processing, and reporting of financial transactions for most State departments and agencies (excluding, among others, higher education institutions). The OBM Director's certification is required for all expenditure vouchers before OBM may issue State warrants. Upon certification, OBM updates its accounting records to reflect the level of vouchered expenditures. The Treasurer of State maintains the cash and investments that comprise the State treasury and invests State funds. The Treasurer redeems the warrants issued by OBM when presented for payment by financial institutions and monitors the amounts and the timing of payments to determine the State's cash flow position for investment purposes.

State financial reporting practices have been and are in accordance with generally accepted accounting principles (GAAP basis). Each Comprehensive Annual Financial Report (CAFR) includes the State's Basic Financial Statements (BFS) for that Fiscal Year as examined by the Auditor of State. The most recent CAFRs are accessible via OBM's web page at http://obm.ohio.gov/stateaccounting/financialreporting/cafr.aspx, and copies may be obtained by contacting OBM, 30 E. Broad Street, 34th Floor, Columbus, Ohio 43215, phone (614) 466-4034. The Fiscal Year 2015 CAFR received the Government Finance Officers Association certificate of achievement for excellence in financial reporting.

The BFS are presented in accordance with a fund classification system prescribed by the Governmental Accounting Standards Board. The GAAP basis financial statement presentation is comprehensive in scope and

includes organizations and activities defined within Ohio's reporting entity that are not subject to the State's appropriation process. The "General Fund" as reported in the BFS includes more than just the GRF; it also encompasses the Budget Stabilization Fund and those reimbursement-supported funds that account for activities administered by State agencies and departments and for which special revenue or proprietary fund classifications are considered inappropriate.

In accordance with State law, financial statements and analyses (with supporting schedules) of State agencies' transactions, based on official records maintained by OBM, are incorporated into the Governor's Executive Budget. That budget, along with other information, is the subject of extended hearings and reviews in the General Assembly during the biennial appropriation process. See **FISCAL MATTERS – Recent and Current Finances – Current Biennium** regarding the appropriations for the 2016-17 fiscal biennium.

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Recent Receipts and Disbursements

The following summary statements, prepared by OBM based on its accounting records, include (i) governmental and proprietary appropriated funds, cash receipts and cash disbursements, and (ii) GRF cash basis activity. The governmental and proprietary appropriated funds encompass the General Fund (which includes the GRF and BSF), as well as special revenue, debt service, capital projects, and enterprise fund types.

SUMMARY STATEMENT
GOVERNMENTAL AND PROPRIETARY APPROPRIATED FUNDS
($ in Millions)

Cash Receipts

SOURCE OF RECEIPTS	Fiscal Year				
Taxes:	2012	2013	2014	2015	2016
Personal Income(a)	$9,029.7	$9,869.8	$8,425.1	$8,883.2	$8,169.4
Sales and Use(b)	8,293.6	8,851.5	9,549.9	10,417.8	10,807.7
Corporate Franchise(c)	117.4	262.2	(11.2)	2.6	33.2
Financial Institutions Tax(c)	n.a.	n.a.	197.8	182.1	213.5
Commercial Activity Tax(d)	1,655.9	1,594.9	1,684.7	1,752.6	1,689.1
Gasoline	1,684.2	1,725.0	1,825.5	1,800.6	1,740.4
Public Utilities and Kilowatt Hour	712.0	702.0	742.5	809.8	796.0
Cigarette(e)	843.2	827.4	814.0	808.2	1,007.6
Foreign Insurance	283.9	292.5	308.0	287.3	316.4
Highway Use	32.2	36.1	16.7	35.2	36.2
Estate(f)	66.5	105.2	39.4	3.1	2.2
Alcoholic Beverages	58.7	57.6	56.6	57.7	55.6
Liquor Gallonage	39.4	40.7	41.8	43.4	45.1
Domestic Insurance Franchise	194.1	211.6	202.3	257.2	263.5
Other	63.9	84.1	44.3	60.0	75.7
Total Taxes	23,074.8	24,660.6	23,937.5	25,400.7	25,251.6
Licenses, Permits and Fees	3,186.9	3,284.4	3,225.5	3,072.0	3,641.3
Sales, Services and Charges	1,968.0	1,682.7	1,262.9	1,392.1	1,749.2
Federal Government (including ARRA)	19,975.7	19,685.3	21,047.1	22,692.1	22,953.9
Other(g)	3,692.0	4,626.4	4,179.6	4,702.8	5,655.3
Proceeds from Sale of Bonds and Notes	1,406.6	732.2	1,468.6	1,103.8	1,214.9
Total Cash Receipts	$53,304.1	$54,671.6	$55,121.1	$58,363.4	$60,466.2

(a) The personal income tax rate was reduced by 8.5% in calendar year 2013, 1.5% in calendar year 2014 and 6.5% in calendar year 2015, and a deduction commenced in tax year 2013 for small businesses of 50%, increasing to 75% in tax years 2014 and 2015, and to 100% for tax years 2016 and beyond, of annual business net income up to $250,000 (see **FISCAL MATTERS** – **Recent and Current Finances** – **Recent Biennia** – **2014-15** and **Current Biennium**).
(b) Beginning September 1, 2013, the sales and use tax rate was increased one-quarter percent to 5.75% (see **FISCAL MATTERS** – **Recent and Current Finances** – **Recent Biennia - 2014-15**).
(c) Beginning in calendar year 2006, except for financial institutions, the corporate franchise tax was phased-out in even annual increments over five years; 2014 reflects refunds. Beginning in tax year 2014, the financial institutions component was replaced with new financial institutions tax.
(d) See **TAX LEVELS AND TAX BASES** for discussion of the commercial activity tax (CAT) on gross receipts from doing business in Ohio.
(e) Beginning July 1, 2015, the cigarette tax was increased from $1.25 per pack (of 20 cigarettes) to $1.60 per pack (see **FISCAL MATTERS** – **Recent and Current Finances** – **Recent Biennia - 2014-15**).
(f) Eliminated effective January 1, 2013.
(g) Largest components consist of various reimbursements, loan repayments, unclaimed funds, and investment income.

Cash Disbursements

FUND TYPE	Fiscal Year(h)				
General Fund:	2012	2013	2014	2015	2016
General Revenue Fund	$26,394.8	$27,439.3	$28,901.8	$30,831.6	33,593.1
General Services Fund	5,090.2	4,557.1	4,591.6	4,758.6	4,712.1
Special Revenue Fund(i)	18,708.6	18,251.0	19,204.9	20,644.3	19,356.1
Capital Projects Fund(j)	346.9	273.5	318.0	412.0	607.0
Debt Service Fund(k)	557.0	996.3	1,064.8	1,116.7	1,136.0
Enterprise Fund(l)	1,341.1	1,115.9	699.7	825.0	844.4
Total Cash Disbursements	$52,438.6	$52,633.1	$54,780.9	$58,588.3	60,248.8

(h) In all Fiscal Years reflects the reclassification of 161 individual funds from special revenue funds into the general services fund to be consistent with financial reporting changes made in GASB Statement No. 54 and effective for the Fiscal Year 2011 CAFR.
(i) Includes local government support disbursements.
(j) Includes amounts disbursed from proceeds of special obligation bonds and highway general obligation bonds.
(k) Includes the several bond retirement funds for bonds secured by a pledge of taxes and excises.
(l) Fiscal Year 2014 reduction reflects the transfer of the State's spirituous liquor system in February 2013 to JobsOhio (see **FISCAL MATTERS - Recent and Current Finances** – **Recent Biennia - 2012-13)**.

SUMMARY STATEMENT
GENERAL REVENUE FUND CASH BASIS ACTIVITY
($ in Millions)

	Fiscal Year				
	2012	2013	2014	2015	2016
Beginning Cash Balance	$844.5	$973.4	$2,639.2	$1,700.1	$1,711.7
Cash Receipts:					
Taxes:					
Personal Income(a)	8,432.9	9,507.8	8,064.9	8,506.7	7,799.3
Sales and Use(b)	8,087.0	8,444.9	9,165.8	9,960.2	10,348.0
Corporate Franchise(c)	117.1	261.9	(11.4)	2.5	33.2
Financial Institutions Tax(c)	n.a.	n.a.	197.8	182.1	213.5
Commercial Activity Tax(d)	417.1	790.0	794.2	854.0	1,255.3
Public Utilities and Kilowatt Hour	468.9	461.7	488.4	464.5	502.0
Cigarette(e)	843.2	827.4	814.0	808.2	1,007.6
Domestic Insurance	189.1	206.4	196.9	251.6	258.3
Foreign Insurance	266.5	274.6	286.5	266.6	293.5
Other	183.4	241.0	137.5	109.3	110.8
Total Taxes	19,005.2	21,015.7	20,134.7	21,405.8	21,821.6
Federal Government (including ARRA)	7,363.0	7,525.8	8,575.6	9,301.3	11,645.7
Licenses, Permits and Fees	65.3	70.2	57.3	57.5	56.0
Investment Income	5.4	10.5	17.3	23.1	35.1
Other	164.3	534.5	42.2	43.7	49.8
Total Cash Receipts	26,603.2	29,156.7	28,827.1	30,831.4	33,608.3
Cash Disbursements:					
Primary, Secondary and Other Education(f)	6,457.9	6,574.3	6,813.2	7,299.5	7,624.1
Higher Education	2,102.7	2,044.3	2,085.0	2,139.6	2,222.8
Public Assistance and Medicaid(g)	12,465.7	12,581.7	13,570.5	14,863.2	16,995.9
Health and Human Services(g)	964.8	1,151.8	1,235.8	1,249.8	1,283.6
Justice and Public Protection	1,863.0	1,804.6	1,837.0	1,850.3	1,983.8
Environmental Protection and Natural Resources	70.1	64.8	63.1	62.6	63.0
General Government and Transportation(h)	283.3	231.0	232.1	235.1	249.1
Community and Economic Development	90.3	52.2	53.4	42.4	50.2
Property Tax Reimbursements(i)	1,728.5	1,746.5	1,785.2	1,801.5	1,786.7
Debt Service(j)	368.5	1,188.2	1,226.4	1,287.7	1,333.9
Total Cash Disbursements	26,394.8	27,439.3	28,901.8	30,831.6	33,593.1
Cash Transfers:					
Transfers-in(k)	582.3	402.0	405.7	641.6	322.2
Transfers-out(l)	(661.8)	(453.6)	(1,270.2)	(629.9)	(855.8)
Ending Cash Balance	$973.4	$2,639.2	$1,700.1	$1,711.7	$1,193.3

(a) The personal income tax rate was reduced by 8.5% in calendar year 2013, 1.5% in calendar year 2014 and 6.5% in calendar year 2015, and a deduction commenced in tax year 2013 for small businesses of 50%, increasing to 75% in tax years 2014 and 2015, and to 100% for tax years 2016 and beyond, of annual business net income up to $250,000 (see **FISCAL MATTERS** – **Recent and Current Finances** – **Recent Biennia** – **2014-15** and **Current Biennium**).

(b) Beginning September 1, 2013, the sales and use tax rate was increased one-quarter percent to 5.75% (see **FISCAL MATTERS** – **Recent and Current Finances** – **Recent Biennia - 2014-15**).

(c) Beginning in calendar year 2006, except for financial institutions, the corporate franchise tax rate was phased out in even annual increments over five years; 2014 reflects refunds. Beginning in tax year 2014, the financial institutions component was replaced with a new financial institutions tax

(d) See **TAX LEVELS AND TAX BASES** for discussion of the commercial activity tax (CAT) on gross receipts from doing business in Ohio and on the increased share of CAT receipts being deposited into the GRF.

(e) Beginning July 1, 2015, the cigarette tax was increased from $1.25 per pack (of 20 cigarettes) to $1.60 per pack (see **FISCAL MATTERS** – **Recent and Current Finances** – **Recent Biennia - 2014-15**).

(f) Mainly subsidies to local school districts for primary and secondary education and to colleges and universities for higher education.

(g) Beginning in Fiscal Year 2013, disbursements for Medicaid were consolidated into a separate program and the portion attributed to Public Assistance was moved into the Health and Human Services Program.

(h) Transportation amounts are for non-highway transportation purposes, including mass transit, rail, and aviation.

(i) State reimbursements to taxing subdivisions for the 12.5% property tax rollback granted to homeowners of real property, for partial real property homestead tax exemptions for the elderly and handicapped (expanded commencing in July 2007), and for revenue reductions resulting from phase-out of local taxes on tangible personal property. (see **FISCAL MATTERS** – **Recent and Current Finances** – **Recent Biennia - 2014-15**).

(j) Beginning in Fiscal Year 2013, includes debt service on non-general obligation debt previously reflected in the applicable program. Reflects the restructuring of certain GRF debt service payments into later biennia resulting in net savings of $449.3 million in Fiscal Year 2012 (see **FISCAL MATTERS** – **Recent and Current Finances** – **Recent Biennia - 2012-13**).

(k) Includes in Fiscal Years 2012 through 2015 transfers from the School District Property Tax Replacement Fund, in Fiscal Years 2012 and 2013 transfers from liquor profits, and in Fiscal Year 2012 interest earnings on tobacco bond proceeds.

(l) Fiscal Years 2012, 2013, 2014 and 2016 transfers out include $246.9 million, $235.1 million, $995.9 million and $526.6 million to the BSF, respectively. In Fiscal Year 2015, includes $330.0 million transfer to the Medicaid reserve fund.

Recent and Current Finances

Introductory Information

The summary statements above identify receipts from specific taxes and excises that are sources of significant amounts of revenue to the State, and particularly to the GRF. As noted, there are constitutional limitations on the use of some taxes and excises, and mandated allocations of portions of some others. As the statements portray, a substantial amount of total State-level revenue is distributed to local governments and school districts under ongoing programs, including local property tax relief.

Economic activity in Ohio, as in other industrially-developed states, tends to be somewhat more cyclical than in some other states and in the nation as a whole. The GRF ending (June 30) fund balance tends to be reduced during less favorable national economic periods and then increases during more favorable economic periods. The GRF ending cash and fund balances for Fiscal Year 2016 were approximately $1.19 billion and $764.7 million, respectively, with $154.5 million of that ending fund balance transferred pursuant to statutory designations leaving a balance of $610.2 million (see **FISCAL MATTERS – Recent and Current Finances – Current Biennium**). Recent biennium-ending GRF balances were:

Biennium	Cash Balance	Fund Balance(a)	Fund Balance less Designated Transfers(b)
2006-07	$1,432,925,000	$215,534,000	$215,534,000
2008-09	734,526,000	389,103,000	389,103,000
2010-11	844,467,000	430,707,000	138,816,000
2012-13	2,639,249,000	2,278,202,000	1,110,942,000
2014-15	1,711,679,000	1,286,469,000	550,366,000

(a) Reflects the ending cash balance less amounts encumbered to cover financial commitments made prior to the end of the Fiscal Year.
(b) Reflects the ending fund balance less any amounts designated for transfer to other funds, including the BSF.

Actions have been and may be taken by the State during less favorable economic periods to ensure resource/expenditure balance (particularly in the GRF), some of which are described below. None of those actions have been applied to appropriations or expenditures needed for debt service or lease payments relating to any State obligations.

The appropriations acts for the 2016-17 biennium included all necessary appropriations for debt service on State obligations and for lease payments relating to lease rental obligations issued by the Treasurer of State and certificates of participation (see **State Debt – General**).

The following is a selective general discussion of State finances, particularly GRF receipts and expenditures, for recent and the current biennia. As evidenced by the actions discussed, the State administrations and both houses of the General Assembly have been and are committed to, and have taken and are taking, actions that ensure a balance of GRF resources and expenditures.

Recent Biennia

2006-07

Consistent with State law, the Governor's Executive Budget for the 2006-07 fiscal biennium was released in February 2005 and introduced in the General Assembly. After extended hearings and review, the GRF appropriations Act for the 2006-07 biennium was passed by the General Assembly and signed (with selective vetoes) by the then Governor on June 30, 2005. That Act provided for total GRF biennial appropriations of approximately $51.3 billion (a 5.0% increase over 2004-05 biennial expenditures) based upon expected total GRF biennial revenue of approximately $51.5 billion (a 3.8% increase over 2004-05 biennial revenue). Spending increases for major program categories over the 2004-05 actual expenditures were: 5.8% for Medicaid (the Act also included a number of Medicaid reform and cost containment initiatives); 3.4% for higher education; 4.2% for elementary and secondary education; 5.5% for corrections and youth services; and 4.8% for mental health and mental retardation. The Executive Budget, the GRF appropriations Act and the separate appropriations acts for the biennium included all necessary debt service and lease rental payments related to State obligations.

The GRF expenditure authorizations for the 2006-07 biennium reflected and were supported by a significant restructuring of major State taxes, including:

- A 21% reduction in State personal income tax rates phased in at 4.2% per year over the 2005 through 2009 tax years. See **FISCAL MATTERS – Recent and Current Finances – Recent Biennia – 2010-11** and **2012-13** for discussion of postponement of the final installment of this personal income tax reduction until the end of tax year 2010.
- Phased elimination of the State corporate franchise tax in equal annual increments over the 2006 through 2010 tax years (except for its continuing application to financial institutions and certain affiliates of insurance companies and financial institutions). See **FISCAL MATTERS – Recent and Current Finances – Recent Biennia – 2012-13** and **2014-15** for discussion of the replacement of the corporate franchise tax with a new financial institutions tax effective tax year 2014.
- Implementation of a new commercial activity tax (CAT) on gross receipts from doing business in Ohio phased in over the 2006 through 2010 Fiscal Years. The CAT is currently being levied at its fully phased-in rate of 0.26% on gross receipts in excess of $1,000,000. (See **TAX LEVELS AND TAX BASES** for a discussion of the use of a portion of the CAT to make compensating payments to school districts and other taxing units in connection with the phase-out of the local tangible personal property tax.) In September 2009, the Ohio Supreme Court ruled that food sales for off-premise consumption may be included in the CAT base. On December 7, 2012, the Ohio Supreme Court upheld the application of the CAT to gross receipts from the sales of motor fuels but ordered that the proceeds of the CAT derived from those gross receipts – estimated by OBM at approximately $100 million annually – could not in the future be applied to non-highway purposes. Under provisions enacted in the biennial appropriations Act for the 2014-15 biennium, the State phased out the CAT on the sale of motor vehicle fuel and replaced it with a "motor fuel receipts tax" (MFRT), computed on the basis of gross motor fuel receipts received by in-State suppliers. In accordance with the Ohio Supreme Court's ruling, MFRT receipts are required to be used for highway purposes.
- A 5.5% State sales and use tax (decreased from the 6.0% rate for the 2004-05 fiscal biennium).
- An increase in the cigarette tax from $0.55 per pack (of 20 cigarettes) to $1.25 per pack.

The Governor signed into law on June 5, 2006 legislation enacted by the General Assembly imposing a limitation on most GRF appropriations commencing with the 2008-09 biennium. This statutory limitation initially uses Fiscal Year 2007 GRF appropriations as a baseline (excluding appropriations for debt service, tax relief and refunds, and certain appropriations reflecting moneys received from the federal government) and then applies an annual growth factor equal to the greater of 3.5% or the sum of the inflation rates and rate of State population change. Every fourth Fiscal Year thereafter becomes a new base year. This legislation was enacted as an alternative to a proposed "tax and expenditure limitation" (TEL) amendment to the Ohio Constitution that was withdrawn from the November 2006 general election ballot. All GRF appropriations since have complied with this limitation.

The State ended Fiscal Year 2006 with a GRF cash balance of $1.529 billion and a GRF fund balance of $1.026 billion. Of that ending GRF fund balance, the State carried-forward $631.9 million to cover the expected and planned for variance of Fiscal Year 2007 GRF appropriations over estimated revenue, to offset the one-time cost of accelerating the phase-in of reductions in State personal income tax withholding rates, and to maintain the required 0.5% of Fiscal Year 2007 GRF revenue as an ending fund balance. The remaining approximately $394 million was deposited into the BSF increasing its balance to $1.012 billion (which includes $40 million in receipts collected from a broad tax amnesty initiative and deposited in June 2006). The State ended Fiscal Year 2007 with a GRF cash balance of $1.433 billion and a GRF fund balance of $215.5 million.

2008-09

2008-09 Biennial Budget and Appropriations. Ongoing and rigorous consideration was given by the Governor and the General Assembly to revenues and expenditures throughout Fiscal Years 2008-09, primarily as a result of the Ohio economy being negatively affected by the national economic downturn. Budgetary pressures during this period were primarily due to continuing lower than previously estimated levels of receipts from certain major revenue sources.

Consideration came in three general time frames – winter 2007, fall/winter 2008, and spring 2009. Significant measures were taken including use of the entire Budget Stabilization Fund (BSF) balance and expenditure reductions and spending controls on State agencies and departments.

Consistent with State law, the Governor's Executive Budget for the 2008-09 biennium was released in March 2007 and introduced in the General Assembly. After extended hearings and review, the GRF appropriations Act for the biennium was passed by the General Assembly and signed (with selective vetoes) by the Governor on June 30, 2007. Reflecting the continued implementation of the restructuring of State taxes commenced in 2006-07, that Act was based upon then estimated total GRF biennial revenues of approximately $53.5 billion (a 3.9% increase over the 2006-07 biennial revenue) and contained total GRF biennial appropriations of approximately $52.4 billion (a 2.1% increase over the 2006-07 biennial expenditures). Spending increases for major program categories over the 2006-07 actual expenditures were: 2.2% for Medicaid (the Act also included a number of Medicaid reform and cost containment initiatives); 13.2% for higher education; 5.2% for elementary and secondary education; 4.9% for corrections and youth services; and 4.7% for mental health and mental retardation. The Executive Budget, the GRF appropriations Act and the separate appropriations acts for the biennium included all necessary debt service and lease rental payments related to State obligations.

The original GRF expenditure authorizations for the 2008-09 biennium reflected and were supported by tax law changes contained in the Act, including:

- Restructuring the nonresident tax exemption for Ohio motor vehicle purchases projected to produce approximately $54.0 million for the biennium.
- Restoring local government fund support by committing a specified percentage of all tax revenues deposited into the GRF, with local governments to receive 3.7% of total GRF tax revenues annually and local libraries to receive 2.22% of total GRF tax revenues annually (see **FISCAL MATTERS – Recent and Current Finances – Recent Biennia - 2012-13** below for discussion of changes to these allocations).
- Eliminating the $300 per month cigarette and tobacco product importation exemption projected to produce approximately $25.0 million annually.

The GRF appropriations Act also created the Buckeye Tobacco Settlement Financing Authority (BTSFA) to securitize tobacco settlement receipts payable to the State under the November 1998 national tobacco settlement. On October 29, 2007, the Authority issued $5.53 billion of tobacco settlement asset-backed bonds to fund capital expenditures for higher education ($938 million) and common school ($4.112 billion) purposes over three years in lieu of the State issuing GRF-backed general obligation bonds to fund those capital expenditures. The resulting debt service savings to the GRF partially funded the expansion of the homestead exemption property tax relief program in the Act. The Act reprogrammed all prior General Assembly allocations of anticipated tobacco settlement receipts to enable the pledge of 100% of those receipts to the payment of debt service on the Authority's obligations. The State had previously enacted legislation allocating its anticipated share of those receipts through Fiscal Year 2012 and making a partial allocation thereafter through Fiscal Year 2025, with the largest allocations to elementary and secondary school capital expenditures, and with other amounts allocated for smoking cessation and health-related purposes, biomedical research and technology transfer, and assistance to the tobacco growing areas in the State.

Winter 2007. With the Ohio economy expected to be negatively affected by the national economic downturn, in January 2008 OBM reduced its original GRF revenue projections by $172.6 million for Fiscal Year 2008 and $385.1 million for Fiscal Year 2009. Based on those lower GRF revenue estimates and increased costs associated with rising Medicaid caseloads, OBM projected a budgetary shortfall for the 2008-09 biennium of $733 million.

Executive and legislative actions taken in response to those OBM estimates, included:

- On January 31, 2008, the Governor issued an executive order directing expenditure reductions and spending controls totaling approximately $509 million (of which about $402 million was realized) for the 2008-09 biennium, as well as limitations on major purchases, hiring and travel, based primarily on the transfers of unspent agency appropriations and the June 2008 action described below. Allocation of those reductions was determined by the OBM Director in consultation with the affected agencies and departments, with annual expenditure reductions ranging up to 10%. An employee reduction plan was also announced aimed at reducing the State's workforce by up to 2,700 through selective elimination of

positions, attrition, unfilled vacancies and an early retirement incentive program. Expressly excluded from the cutbacks were appropriations for or relating to debt service on State obligations, State higher education instructional support, foundation formula support for primary and secondary education, Medicaid entitlement programs, and ad valorem property tax relief payments.

- Transfer of unspent agency appropriations then expected to total $120 million in Fiscal Year 2008 and $78 million in Fiscal Year 2009.
- Authorizing expansion of the State-run lottery system to include "keno" games then projected to generate $65 million in Fiscal Year 2009 of which approximately $25 million was realized.

In June 2008, the General Assembly also passed legislation that provided for, among other things, transfers to the GRF (after a selective line-item veto) of up to $63.3 million from the BSF for the State's share of increased Medicaid costs, $55 million from rotary funds and $25 million in uncommitted interest earnings from proceeds of BTSFA's Tobacco Settlement Asset-Backed Bonds issued in October 2007.

Fall/Winter 2008. With the Ohio economy continuing to be negatively affected by the national economic downturn, OBM on September 10, 2008 announced a $540 million further reduction in its GRF revenue projections for Fiscal Year 2009 and a projected Fiscal Year budgetary shortfall of the same amount. Executive actions announced to offset the projected shortfall included:

- Use of additional planned Fiscal Year-end lapses and GRF carry forward totaling $126.4 million.
- Use of balances in various non-GRF "rotary funds" totaling $112 million.
- Transfer to the GRF of an additional $40 million of interest earnings on the proceeds of the tobacco securitization referred to above.
- As authorized by June 2008 legislation referred to above, a transfer to the GRF of $63.3 million to pay for previously authorized Medicaid expenditures.

The $198.3 million remainder of the projected shortfall was offset by a 4.75% reduction in most agency appropriations, which did not apply to appropriations for debt service or tax relief, Medicaid and disability financial assistance, Department of Education aid to local school districts, the Departments of Rehabilitation and Corrections and Youth Services, and selected others.

On December 1, 2008, OBM announced a further $640.4 million reduction in GRF revenue projections for Fiscal Year 2009 expected to result in a projected Fiscal Year shortfall of the same amount. Executive actions announced to offset much of that further projected shortfall included:

- Reducing total GRF Medicaid spending by $311.1 million by using cash from non-GRF Medicaid accounts and the corresponding federal share previously planned for use in Fiscal Year 2010.
- Reducing total Medicaid program spending by $21.3 million by enhanced focus on use of other third-party liability sources and other program savings exceeding original estimates.
- Reducing other GRF expenditures by $180.5 million through a further 5.75% reduction in most agency appropriations, which did not apply to appropriations for debt service or tax relief, Medicaid and disability financial assistance, Department of Education aid to local school districts, or the Departments of Rehabilitation and Corrections and Youth Services, among others. These reductions were in addition to the approximately $1.27 billion of 2008-09 biennium budget adjustments previously undertaken.

The $131.9 million remainder of the shortfall was offset by additional Federal Medical Assistance Payments (FMAP) received under the American Recovery and Reinvestment Act of 2009 (ARRA), which increased federal Medicaid match to the GRF by that amount (after taking into account loss of federal match from the two Medicaid related actions outlined above). Based on these expenditure reductions, spending controls and other measures – and before the revised revenue estimates referred to below – OBM was then projecting a positive GRF fund balance at June 30, 2009.

Spring 2009. Based on the Administration's continuing monitoring of revenues, and as an anticipated step in the then ongoing 2010-11 biennial budget and appropriations process, OBM reported revised revenue estimates to the General Assembly on June 11, 2009. Those estimates revised Fiscal Year 2009 revenues downward by an additional $912 million over OBM's December 2008 adjusted baseline, based primarily on updated income and sales tax receipts through May 31, 2009. To address this additional Fiscal Year 2009 revenue shortfall, the Governor received General Assembly approval for and used the entire remaining BSF balance of $949 million for Fiscal Year 2009. Additional measures taken to address this shortfall included the

restructuring of $52.8 million of Fiscal Year 2009 general revenue fund debt service into Fiscal Years 2012 through 2021 and expenditure reductions of $98 million in addition to the expenditure controls previously ordered by the Governor.

The State ended Fiscal Year 2009 with GRF cash and fund balances of $734.5 million and $389.1 million respectively, and a $-0- balance in the BSF. Of the ending GRF fund balance, $133.4 million represented the one-half of one percent of Fiscal Year 2009 GRF revenues the State is required to maintain as an ending fund balance.

2010-11

Rigorous consideration was given by the General Assembly to the Governor's Executive Budget proposed for the 2010-11 fiscal biennium in light of the difficult economic and fiscal conditions resulting from the national recession. The final GRF appropriations Act for the 2010-11 biennium, which was preceded by three seven-day interim appropriations acts, was passed by the General Assembly and signed (with selective vetoes) by the Governor on July 17, 2009. All necessary debt service and lease-rental payments related to State obligations for the entire 2010-11 biennium were fully appropriated for the three-week interim appropriations periods and under that final Act. Reflecting the final implementation of the restructuring of State taxes commenced in 2006-07 and a conservative underlying economic forecast, that Act provided for total GRF biennial appropriations of approximately $50.5 billion (a 3.8% decrease from 2008-09 fiscal biennium expenditures) based on total GRF expected biennial revenue of approximately $51.1 billion (a 4.2% decrease from 2008-09 fiscal biennium revenues). GRF appropriations for major program categories compared to 2008-09 actual GRF spending reflected increases of 3.4% for Medicaid (excluding ARRA funding referred to below) and 0.7% for corrections and youth services; and decreases of 13.8% for mental health and developmental disabilities, 8.3% for higher education, and 5.15% for elementary and secondary education. Among other expenditure controls, the Act included a number of Medicaid reform and cost containment initiatives and also reflected the restructuring of $736 million of Fiscal Years 2010 and 2011 general revenue fund debt service into Fiscal Years 2012 through 2025.

Major new sources of revenues or savings reflected in the 2010-11 appropriations Act included:

- $2.4 billion of "Federal Stimulus" funding received under the ARRA, including $1.464 billion for elementary and secondary education, $628 million for Federal Medical Assistance Payments (FMAP), and $326 million for other purposes.
- $933 million in gaming and license revenues from the Ohio Lottery Commission's implementation of video lottery terminals (VLTs) at the seven horse racing tracks in the State. OBM estimated the VLTs would result in an approximate $851 million net increase in revenues for the biennium ($285 million in Fiscal Year 2010 and $566 million in Fiscal Year 2011) after taking into account offsetting effects of the VLTs on other lottery revenues. On September 21, 2009, the Ohio Supreme Court ruled that the statutory provisions in the biennial appropriations Act for the implementation of VLTs were subject to voter referendum and granted petitioners in that case until December 20, 2009 to submit referendum petitions with the required number of signatures. The Ohio Secretary of State on March 26, 2010 confirmed those petitions contained a sufficient number of valid signatures to place the referendum on the November 2, 2010 ballot, but on July 1, 2010 the committee for the petitioners withdrew the referendum. In October 2011 a complaint was filed in the Court of Common Pleas of Franklin County, Ohio challenging that 2009 law authorizing the VLTs, with those challenges being asserted under various provisions of the Ohio Constitution, and also under the Equal Protection Clause of the Fourteenth Amendment to the United States Constitution for granting a monopoly to only the gaming operators approved in that 2009 law. That complaint was amended in January 2012 to add two additional plaintiffs and name additional State defendants. The trial court on May 30, 2012 granted defendants' motions to dismiss the case after finding that the plaintiffs did not have legal standing to bring these challenges, and the plaintiffs appealed this trial court ruling to the Tenth District Court of Appeals of Franklin County, Ohio. Since the trial court dismissed the case based on plaintiffs' lack of standing, it did not address or decide the merits of the plaintiffs' challenges. On March 14, 2013, the Court of Appeals upheld the trial court's dismissal of the case based on the plaintiffs' lack of standing, and on July 24, 2013, the Ohio Supreme Court announced that it was accepting plaintiffs' appeal of this case but holding it for review after it decided a separate case involving the question of an activist group's standing to bring challenges relating to JobsOhio (see **FISCAL MATTERS – Recent and**

Current Finances – **Recent Biennia** – **2012-13**). After the Supreme Court released its decision in that separate case involving JobsOhio on June 10, 2014, the defendants on July 2 filed a motion to dismiss the appeal pending before the Supreme Court in the VLT case as improvidently granted based on that June 10 decision. On September 3, 2014, the Supreme Court ruled on that motion to dismiss and ordered the parties to file merit briefs relating to the standing issues the Court accepted for appeal. Those briefs were filed, and oral argument was held by the Court on June 23, 2015. On March 24, 2016, the Court affirmed the dismissal for lack of legal standing of all but one of the plaintiff-appellants' claims. With respect to the claim that the 2009 law granted a monopoly in violation of the Equal Protection Clause of the Fourteenth Amendment to the United States Constitution, the Court found the plaintiff had legal standing to bring this challenge, reversed the Tenth District's judgment affirming the dismissal of this claim, and remanded this claim to the Franklin County Court of Common Pleas for further proceedings. On September 27, 2016, the Court of Common Pleas ruled on motions for judgment on the pleadings filed by the parties addressing the remanded equal protection claim, upholding the constitutionality of the 2009 law authorizing the VLTs and dismissing that equal protection claim.

- $259 million from the Ohio Tobacco Use Prevention and Control Foundation Endowment Fund (TUPAC) to be deposited into a special State fund (non-GRF) and then intended to be used for various health care initiatives. After a trial court in August 2009 ordered these monies must remain in that endowment fund and be used for the purpose of reducing tobacco use, the State immediately appealed and in December 2009 the court of appeals ruled in favor of the State and reversed the trial court's order. The Ohio Supreme Court in December 2010 affirmed the court of appeals decision in favor of the State.
- $1.036 billion of "one-time" revenues or savings ($640 million in Fiscal Year 2010 and $396 million in Fiscal Year 2011), including $364 million from the spend-down of carry-forward balances (that required temporary suspension of the one-half of one percent ending fund balance requirement for the 2010-11 biennium), $250 million transferred from a cash account at the Ohio School Facilities Commission, $272 million savings from subjecting State employees to a two-week unpaid "furlough" during each year of the biennium, $84 million from a reduction in State funding to public libraries, and $65 million from the transfer to the GRF of interest on the proceeds of the State's 2007 tobacco securitization.
- $530 million from transfers to the GRF of unclaimed funds and from other non-GRF funds.

In September 2010 the State also received from the federal government an award of $518.6 million of enhanced Federal Medical Assistance Payments funding ("eFMAP"), and $361.2 million of federal funding was also received by Ohio school districts for teacher salaries and personnel costs for primary and secondary education ("Ed Jobs").

In response to the above-referenced September 21, 2009 decision of the Ohio Supreme Court declaring the VLT provisions in the biennial appropriations Act subject to referendum, the Governor proposed for General Assembly consideration postponing for two years the final installment of the personal income tax reduction then scheduled to take effect in tax year 2009 (for returns filed in 2010). After extended hearings and review, the General Assembly approved, and the Governor signed into law on December 22, 2009, legislation keeping personal income tax rates at 2008 levels through tax year 2010 (see **FISCAL MATTERS – Recent and Current Finances – Recent Biennia - 2012-13** for discussion of implementation of the final phase of that personal income tax reduction).

The appropriations Act for the 2010-2011 biennium created a six-member legislative Budget Planning and Management Commission (BPMC) to "study and make recommendations that are designed to provide relief to the State during the current difficult fiscal and economic period". The BPMC commenced meeting in June 2010, heard testimony, received suggestions and released two reports with both containing estimates of "non-recurring" revenues reflected in the 2010-11 budget as enacted ranging from $4.887 billion in the GRF to $8.339 billion for all GRF and non-GRF funds. These estimates included the effect of the postponement of the final installment of the personal income tax reduction**.**

The State ended Fiscal Year 2011 with GRF cash and fund balances of $844.5 million and $430.7 million, respectively. Of that ending GRF fund balance, the State reserved $138.8 million in the GRF reflecting the one-

half of one percent of Fiscal Year 2011 GRF revenues the State is required to maintain as an ending fund balance and transferred $45.0 million into disaster services/emergency funds. The remaining $246.9 million was deposited into the BSF. These ending balances reflect the use of approximately $680 million in Fiscal Year 2011 GRF revenue to make payments for Medicaid managed care, the State's share of instruction for higher education, payroll and other commitments that were previously scheduled to be deferred into Fiscal Year 2012.

2012-13

2012-13 Biennial Budget and Appropriations. Consistent with State law, the Governor's Executive Budget for the 2012-13 biennium was released in March 2011 and introduced in the General Assembly. After extended hearings and review, the 2012-13 biennial appropriations Act was passed by the General Assembly and signed (with selective vetoes) by the Governor on June 30, 2011. To address the use of non-recurring funding sources in the prior 2010-11 fiscal biennium including federal stimulus amounts received under ARRA, the Act included targeted spending cuts across most State agencies and major new Medicaid reform and cost containment measures. Reflecting the tax law changes described below and a conservative underlying economic forecast, that Act provided for total GRF biennial appropriations of approximately $55.8 billion ($27.1 billion in Fiscal Year 2012 and $28.7 billion in Fiscal Year 2013). This reflected 10.5% and 10.7% increases over the 2010-11 GRF biennial appropriations and expenditures, respectively, based on total expected GRF biennial revenue of approximately $56.07 billion (a 6% increase from 2010-11 GRF biennial revenues). Fiscal Year 2012 GRF appropriations increased 3.1% over Fiscal Year 2011 actual spending, and Fiscal Year 2013 GRF appropriations increased 6.1% over Fiscal Year 2012 appropriations. GRF appropriations for major program categories compared to 2010-11 actual GRF biennial spending reflected increases of 30.2% for Medicaid (13.1% for Fiscal Year 2012 over Fiscal Year 2011, and 10.0% for Fiscal Year 2013 over Fiscal Year 2012) due in large part to the absence of ARRA funding in the 2012-13 biennium and the redirection of 2012-13 biennial spending from non-GRF to GRF sources); decreases of 3% for elementary and secondary education (a decrease of 3.5% in Fiscal Year 2012 over Fiscal Year 2011, followed by a 1.2% increase in Fiscal Year 2013 over Fiscal Year 2012), 9.1% for higher education (a decrease of 10.8% in Fiscal Year 2012 over Fiscal Year 2011, followed by a 3.8% increase in Fiscal Year 2013 over Fiscal Year 2012), and 8.1% for mental health and developmental disabilities (decreases of 0.3% in Fiscal Year 2012 over Fiscal Year 2011, and of 22.4% in Fiscal Year 2013 over Fiscal Year 2012) due to the transfer of community mental health Medicaid services to the Department of Job and Family Services); and flat funding for corrections and youth services. That Act also reflected the restructuring of $440 million of Fiscal Year 2012 general revenue fund debt service into Fiscal Years 2013 through 2025, approximately three-quarters of which was accomplished by the July 2011 issuance by the Ohio Public Facilities Commission of $488.8 million in refunding bonds, with the remainder accomplished by the September 2011 issuance by the Ohio Building Authority of $149.3 million in refunding bonds.

The Executive Budget, the GRF appropriations Act and the separate appropriations acts for the biennium included all necessary debt service and lease rental payments related to State obligations (after the restructuring of Fiscal Year 2012 GRF debt service payments).

Major new sources of revenues or expenditure savings reflected in the 2012-13 appropriations Act included:

- Transfer of the State's spirituous liquor system to JobsOhio. On February 1, 2013, the State granted a 25-year franchise on its spirituous liquor system to JobsOhio Beverage System, a nonprofit corporation the sole member of which is JobsOhio, itself a nonprofit corporation created to promote economic development, job creation and retention, job training and the recruitment of business to the State. In exchange for the franchise, the State received a payment of $1.464 billion, $500 million of which was deposited in the GRF, $863.5 million was used to make provision for payment of all debt service on $725.0 million of then outstanding State bonds and notes secured by a pledge of the State's profits from the sale of spirituous liquor, and $100 million for funding certain revitalization projects. With that transfer, the State is forgoing deposits to the GRF from net liquor profits (those deposits totaled $153.0 million in Fiscal Year 2011, $92.5 million in Fiscal Year 2012 and $88.0 million in Fiscal Year 2013 through the February 1 granting of the franchise to JobsOhio Beverage System). Litigation filed in April 2011 in the Ohio Supreme Court challenged, under various provisions of the Ohio Constitution, certain aspects of both JobsOhio and the General Assembly's February 2011 law that authorized its creation. Specifically, plaintiffs contested provisions in that law requiring that any challenges to that law or to the creation of JobsOhio be filed in the Ohio Supreme Court within sixty days after that law took effect. Plaintiffs also claimed that law was an improper special act conferring corporate powers, that the

Governor could not serve on the JobsOhio board of directors, that the provisions for dissolution of JobsOhio violate limitations in the Ohio Constitution on State appropriations and assumption of corporate debt, and that the law created a joint venture under which the State is lending its aid and credit. On August 19, 2011, the Ohio Supreme Court dismissed this case for lack of subject matter jurisdiction. The 2012-13 appropriations Act also amended the February 2011 law to remove the Governor from the JobsOhio board of directors, require JobsOhio to comply with Ohio's nonprofit corporation law unless specifically exempted from a provision, and eliminate the exclusive original jurisdiction in the Ohio Supreme Court and relax the deadlines for filing claims. In August 2011, the plaintiffs filed a complaint in the Court of Common Pleas of Franklin County, Ohio, containing many of the same challenges to both JobsOhio and the law that authorized its creation. In December 2011, the trial court dismissed this suit for lack of standing, and in June 2012 the Tenth District Court of Appeals of Franklin County, Ohio, affirmed the lower court's decision. In July 2012, the plaintiffs requested that the Ohio Supreme Court review the Court of Appeals decision, and on January 23, 2013, the Ohio Supreme Court announced that it would hear the plaintiffs' appeal solely on the question of standing. After full briefing and oral argument in late 2013, on June 10, 2014, the Ohio Supreme Court issued its decision affirming the judgment of the lower courts and concluding that the plaintiffs lacked standing to bring this suit. On October 27, 2014, a former attorney for the plaintiffs in the case described above filed a new action in the Tenth District Court of Appeals, in an attempt to revive these challenges to JobsOhio and the laws authorizing its creation and the transfer of the State's spirituous liquor system. The State and JobsOhio filed motions to dismiss this new lawsuit based on that attorney's lack of standing and other jurisdictional considerations, and on August 4, 2015, the Court of Appeals granted those motions to dismiss based on its finding that the attorney lacks standing to pursue this action. On September 18, 2015, that attorney filed an appeal of this decision with the Ohio Supreme Court and, following full briefing by the parties, the Supreme Court on August 31, 2016, affirmed the Court of Appeals decision dismissing the lawsuit based on plaintiff's lack of standing to pursue this action. On September 16 the plaintiff filed a motion for reconsideration in the Supreme Court, and on September 19 counsel for the State filed a memorandum in opposition to that motion, and the matter now awaits decision by the Supreme Court.

- Sale of five State-owned prison facilities to private operators expected to result in a net payment to the GRF of $75 million. A case filed in August 2011 in the Court of Common Pleas of Franklin County, Ohio, challenged the authorization in the 2012-13 appropriations Act to sell these prison facilities. Specifically, this litigation alleged that the provisions in that Act authorizing the sale of these prisons, as well as that entire Act, were enacted in violation of the "one subject rule" of the Ohio Constitution and violated the constitutional right to referendum, and that the sale of the prisons would create a joinder of private and public property interests violating the constitutional prohibition against the State entering into a joint venture. On August 31, 2011, that trial court rendered a non-appealable decision denying a temporary restraining order requested by the plaintiffs. In that decision, the trial court found that the provisions of the appropriations Act authorizing the sale of the prisons were not in violation of the one subject rule, did not violate the prohibition against the State entering into a joint venture, and did not fit within the exceptions to the right to referendum. The State announced on September 1, 2011 that, based on the proposals it received for five prisons, it was opting to sell only one of those facilities and that this would accomplish most of the desired financial result for the 2012-13 biennium. On December 21, 2011, the plaintiffs voluntarily dismissed their initial case without prejudice, and on July 9, 2012, the original and additional plaintiffs filed a new case in the Court of Common Pleas of Franklin County again raising the one subject rule and joinder of private and public property claims contained in the original case, but adding a claim for reinstatement and back pay of Department of Rehabilitation and Correction employees affected by prison sales. On November 20, 2012, the trial court granted defendants' motions to dismiss and ruled that plaintiffs failed to state a claim for which relief can be granted. On December 18, 2012, plaintiffs filed an appeal in the Tenth District Court of Appeals of Franklin County, Ohio, and on October 10, 2013, that Court of Appeals rendered a decision reversing only the trial court's dismissal of the one-subject-rule claim and ordering the case remanded to the Court of Common Pleas for further proceedings. After the Court of Appeals on January 15, 2014 denied the plaintiffs' motion for reconsideration, both the plaintiffs and defendants filed separate further appeals with the Ohio Supreme Court on June 25, 2014. After full briefing of the case by the parties and oral argument, the Supreme Court on February 11, 2016 upheld the prison sale provisions of the

Act, finding their enactment did not violate the "one subject rule" of the Ohio Constitution or its prohibition against the State entering into a joint venture with private enterprise. The Supreme Court also rejected the claim for reinstatement and back pay of Department of Rehabilitation and Correction employees on the grounds that the State Employee Relations Board has exclusive jurisdiction to determine whether employees of a privately owned or operated prison are "public employees".

- Reduction of local government fund allocations by $111 million in Fiscal Year 2012 and $340 million in Fiscal Year 2013. Beginning in Fiscal Year 2014, allocations are made by committing to the local government fund a set percentage of annual tax revenues deposited into the GRF (beginning with Fiscal Year 2013 GRF tax revenues).
- Reduction of public library fund allocations to 95% of Fiscal Year 2011 levels resulting in expenditure reductions of $52.3 million in Fiscal Year 2012 and $102.8 million in Fiscal Year 2013. Beginning in Fiscal Year 2014, allocations to public libraries are made by committing to the public library fund a set percentage of annual tax revenues deposited into the GRF (beginning with Fiscal Year 2013 GRF tax revenues).
- Accelerated phase-out of reimbursement payments to local governments and school districts in connection with the elimination of the tangible personal property tax resulting in an increased share (estimated at $293.5 million in Fiscal Year 2012 and $597.7 million in Fiscal Year 2013) of the commercial activity tax being deposited into the GRF (see **TAX LEVELS AND TAX BASES – Property Tax**).
- Accelerated phase-out of reimbursement payments to local governments and school districts for electric power generation deregulation and natural gas deregulation resulting in a larger share (estimated at $141.6 million in Fiscal Year 2012 and $147.4 million in Fiscal Year 2013) of the kilowatt-hour tax and the entire (approximately $66.0 million in Fiscal Year 2012 and $66.0 million in Fiscal Year 2013) natural gas consumption tax being reallocated to the GRF.
- $235 million from transfers to the GRF of unclaimed funds and from other non-GRF funds, and $12 million from a tax amnesty program.

The 2012-13 appropriations Act also reflected the following tax law changes:

- Implementation of the previously postponed final 4.2% annual decrease in State personal income tax rates (see **FISCAL MATTERS – Recent and Current Finances – Recent Biennia – 2010-11**).
- Elimination of the estate tax beginning January 1, 2013, previously levied at a rate of 6% on estates over $338,333 and 7% on estates over $500,000. In Fiscal Year 2010, estate tax collections totaled $285.8 million of which $230.8 million was distributed to the local government jurisdictions from which it was collected and with $55.0 million retained by the State and deposited into the GRF.
- Establishment of the InvestOhio income tax credit program under which investors in small businesses based in Ohio who hold their investments for at least two years may receive 10% income tax credits limited to a maximum of $10 million per investor per biennium with no more than $100 million of those credits to be issued over two years.

The 2012-13 biennial appropriations Act created a Medicaid reserve fund and authorized the OBM Director to transfer up to $130 million from the GRF, if necessary, to provide for the payment of Medicaid costs above the enacted level of appropriations. That Act also created a $104 million Unemployment Compensation Contingency Fund to pay interest on federal advances to the State Unemployment Compensation Fund, $70.7 million of which was used to make the interest payment due in September 2011, with the remaining amount applied to the September 2012 interest payment of $65.8 million. The September 2012 interest payment was also funded by a $25 million GRF supplemental appropriation and a contribution from the State's Unemployment Compensation Administration Fund.

Separate legislation was passed by the General Assembly and signed by the Governor on June 29, 2011, to reduce the State prison population by, among other changes, directing some low-level offenders to community-based programs.

2012 Mid-Biennium Review. On March 14, 2012, the Governor announced a series of policy proposals resulting from a "mid-biennium review" (2012 MBR), with a stated focus on job creation as a priority. The

Governor's 2012 MBR included proposals for General Assembly consideration in the areas of: *energy* (including shale oil and gas production opportunities in the Marcellus and Utica fields in the State, and modernizing the State's oil and gas severance tax; electric generation and transmission; coal; cogeneration, alternative fuels and renewables; energy efficiency; and regulatory reform); *personal income tax reduction* (proposing that any new revenue from shale oil and gas production and the MBR proposal to modernize the State's oil and gas severance tax system be used to reduce personal income tax rates by a commensurate amount); *bank and financial institutions tax reform* (including a modernization, intended to be revenue-neutral, of Ohio's taxes on banks and financial institutions replacing the corporate franchise and dealers in intangibles tax with a new financial institutions tax more accurately reflecting modern banking practices, closing loopholes and reducing the overall tax burden on most banks); *education* (including proposals for strengthening Ohio's "third grade reading guarantee", career education, a new school performance measuring system, expansion of digital and online learning, flexibility for teacher evaluations, new standards for dropout recovery schools, assessments of all publicly funded early childhood programs, and supporting adoption of a school reform plan for the City of Cleveland schools); *workforce development* (creating job opportunities for the developmentally disabled; an improved workforce development program; allowing those undergoing training with an employer to continue collecting unemployment benefits; linking energy companies with trained workers; and matching skilled veterans to the most in demand jobs); and achieving more *management efficiency* with associated State and local government budgetary savings (including combining the separate Offices of the State Architect and Engineer and the Office of Energy Services into an Ohio Facilities Construction Commission (OFCC) to administer the design and construction of state public facilities, with the Ohio School Facilities Commission retained as an independent agency within the OFCC but sharing employees and facilities). Those 2012 MBR proposals were considered by the General Assembly commencing in March in twelve separate pieces of legislation, and the General Assembly in May and June passed seven pieces of legislation addressing the subjects of energy (not including the 2012 MBR proposed changes to the State's oil and gas severance tax), tax reform (not including the 2012 MBR personal income tax reduction proposal), education, workforce development, and management efficiency for both state and local governments.

As further implementation of the 2012 MBR, the General Assembly enacted and the Governor signed into law on December 20, 2012, a new financial institutions tax that first applied to tax year 2014. This new tax applies to many companies that were previously subject to Ohio's corporate franchise tax (primarily banks and other corporations classified as financial institutions) and also generally subjects "dealers in intangibles" (e.g., mortgage brokers, stockbrokers, finance and loan companies not classified as financial institutions) to the commercial activity tax. This new financial institutions tax replaced the prior corporate franchise tax on financial institutions and the prior dealers in intangibles tax. The proceeds from the new financial institutions tax are deposited in the GRF like the proceeds from the taxes it replaced. Based on revenue targets and mechanisms established in the legislation, OBM projected the effect of these tax changes to be revenue neutral to the GRF.

Fiscal Year 2013 Results. The State ended Fiscal Year 2013 with GRF cash and fund balances of $2.64 billion and $2.28 billion, respectively. These ending balances reflect approximately $1.15 billion in Fiscal Year 2013 underspending due largely to actual Medicaid expenditures $883.0 million below the original Fiscal Year 2013 spending estimate. Of that ending GRF fund balance, the State deposited $995.9 million into the Budget Stabilization Fund (BSF) increasing its balance to $1.48 billion which was the then statutorily designated five percent of Fiscal Year 2013 GRF revenues; carried-forward $963.2 million to offset the one-time cost of accelerating the phase-in of reductions in State personal income tax withholding rates (see **FISCAL MATTERS – Recent and Current Finances - Current Biennium**), and transferred $120 million into the Unemployment Compensation Contingency Fund to pay interest on federal advances to the State Unemployment Compensation Fund and $51.3 million into disaster services/emergency funds. The remaining $147.8 million was reserved in the GRF reflecting the one-half of one percent of Fiscal Year 2013 GRF revenues the State is required to maintain as an ending fund balance.

2014-15

2014-15 Biennial Budget and Appropriations. Consistent with State law, the Governor's Executive Budget for the 2014-15 biennium was released in February 2013 and introduced in the General Assembly. After extended hearings and review, the 2014-15 biennial appropriations Act was passed by the General Assembly and signed (with selective vetoes) by the Governor on June 30, 2013. With a stated focus on job creation and continued spending restraint, and based on a conservative economic forecast, that Act provided for total GRF

biennial appropriations of approximately $62.0 billion ($30.3 billion in Fiscal Year 2014 and $31.7 billion in Fiscal Year 2015). This reflected 11.1% and 15.1% increases over the 2012-13 GRF biennial appropriations and expenditures, respectively, and was based on expected total GRF biennial revenue (not including the $963.2 million carried-forward from the 2012-13 biennium) of approximately $61.1 billion (a 7.7% increase from 2012-13 GRF biennial revenues). Fiscal Year 2014 GRF appropriations were increased 10.3% over Fiscal Year 2013 actual spending, and Fiscal Year 2015 GRF appropriations were increased 4.7% over Fiscal Year 2014 appropriations. GRF appropriations for major program categories compared to 2012-13 actual GRF spending reflected increases of 22.1% for Medicaid (16.8% for Fiscal Year 2014 over Fiscal Year 2013, and 6.2% for Fiscal Year 2015 over Fiscal Year 2014) attributable in large part to federal Affordable Care Act induced enrollment of previously eligible individuals and federally mandated physician rate increases; 8.9% for elementary and secondary education (5.0% for Fiscal Year 2014 over Fiscal Year 2013, and 5.8% for Fiscal Year 2015 over Fiscal Year 2014) due largely to enhancements in the K-12 school funding formula; 5.3% for higher education (1.8% for Fiscal Year 2014 over Fiscal Year 2013, and 2.1% for Fiscal Year 2015 over Fiscal Year 2014); 11.3% for mental health and developmental disabilities (8.9% for Fiscal Year 2014 over Fiscal Year 2013, and 0.3% for Fiscal Year 2015 over Fiscal Year 2014); and 2.1% for corrections and youth services (0.1% for Fiscal Year 2014 over Fiscal Year 2013, and 0.2% for Fiscal Year 2015 over Fiscal Year 2014). The Act also implemented a new school funding formula (see **SCHOOLS AND MUNICIPALITIES – Schools**), allocated a portion of State public higher education funding to institutions based on their graduation rates, and eliminated the Ohio Cultural Facilities Commission by moving the administration of cultural facilities projects to the Ohio Facilities Construction Commission to achieve efficiencies and budgetary savings.

The Executive Budget, the 2014-15 appropriations Act and separate appropriations acts for the biennium included all necessary debt service and lease rental payments related to State debt obligations.

The 2014-15 biennial appropriations Act reflected the following reductions and related adjustments of major State taxes (primarily the personal income and sales and use taxes), resulting in an estimated net reduction in GRF revenues of $1.16 billion in Fiscal Year 2014 and $771 million in Fiscal Year 2015, including:

- A 10% reduction in State personal income tax rates phased-in over three years (8.5% in calendar year 2013, 0.5% in calendar year 2014, and 1.0% in calendar year 2015), coupled with a freeze on the indexing of the State income tax brackets and the personal exemption for tax years 2013 through 2015 until these rate reductions are fully implemented (see 2014 MBR discussion below for information on the acceleration into calendar year 2014 of the 1% reduction initially scheduled to take effect for calendar year 2015).
- Creation of a non-refundable earned income tax credit equal to 5% of the federal earned income credit that is limited to 50% of liability for gross income that exceeds $20,000 (see 2014 MBR discussion below for information on the increase of the credit amount from 5% to 10%).
- A new deduction for small businesses of 50% of annual adjusted business net income up to $250,000 (see 2014 MBR discussion below for information on the temporary increase of this deduction to up to 75% for tax year 2014).
- Elimination of the $20 personal income tax exemption for filers with a gross income greater than $30,000 and of the gambling loss deduction.
- An increase in the State sales and use tax by one-quarter percent (from 5.5% to 5.75%) beginning September 1, 2013.
- Authorization of full membership for the State in the streamlined sales tax project for the collection of State sales taxes on out-of-state companies for catalog and internet purchases.
- Expansion of the State sales tax base to include digital goods such as e-books, music and video downloads and repeal of the exemption for magazine purchases.
- Elimination of the corporate franchise tax (and dealers in intangibles tax) and the initial implementation and collection of the new financial institutions tax in tax year 2014.
- Elimination of the 12.5% property tax roll back for owner-occupied residential property for new voter-approved local property tax levies.
- Reinstituting income requirements for eligibility for new applicants for the State's homestead tax exemption (this exemption was expanded in 2007 to include all senior citizens and disabled Ohioans regardless of income).

- Establishing a variable minimum for the commercial activity tax for businesses with gross receipts greater than $1 million and an exemption from the CAT for grain handlers.

Medicaid Expansion. Subsequent to the passage of the GRF appropriations Act, the seven member State Controlling Board on October 21, 2013 voted 5 to 2 to increase federal Medicaid appropriations by approximately $562 million in Fiscal Year 2014 and approximately $2.0 billion in Fiscal Year 2015. These additional federal appropriations were to support the federally-authorized expansion of the Medicaid program to cover those with incomes up to 138% of the federal poverty level using 100% federal funds in fiscal years 2014 and 2015. On October 22, 2013, six State Representatives and two local right to life organizations filed an action in the Ohio Supreme Court against the Controlling Board and the Ohio Department of Medicaid requesting that Court vacate the Controlling Board's October 21 action. The Controlling Board and State Department of Medicaid filed their initial answer to the complaint on November 5 and, after all evidence and briefs of the parties were submitted on the expedited schedule set for this case, the Court on December 20, 2013 issued its decision upholding the Controlling Board's action.

2014 Mid-Biennium Review. On March 12, 2014, the Governor announced a series of initiatives across a range of topics resulting from a "mid-biennium review" for 2014-15 (2014 MBR), with the stated purpose of keeping Ohio moving forward. The Governor's 2014 MBR included a range of proposals in the areas of: *elementary and secondary education* (including proposals for dropout prevention and recovery and making technical and vocational education accessible by more students as early as the seventh grade); *higher education* (including proposals for reforming Ohio's dual credit programming to encourage more students to earn college credit while in high school; extending to two-year community colleges a funding formula tied to successful student outcomes; tying state funding for technical centers to the percentage of their students that find a job and other outcome-based benchmarks; increased use of technology and distance learning; increasing enrollment of international students and their retention in Ohio post-graduation; providing community colleges the option to offer a guaranteed tuition rate; and providing veterans college credit for their military training and experience); *income tax reductions and other tax adjustments* (including proposals to lower income tax rates across all income levels by 8.5% over the next three years; increasing the state's earned income tax credit for low-income Ohioans from 5% to 15% of the federal earned income tax credit; increasing the state income tax personal exemptions for those with annual incomes up to $80,000; raising the tax on cigarettes by 60 cents to $1.85 per pack with equivalent taxes on other tobacco products including e-cigarettes; increasing the oil and gas severance tax to 2.75% of producer gross receipts while eliminating that tax for small conventional gas producers and exempting from that tax up to $8 million of gross receipts per well during the first three years to help producers recoup their start-up drilling costs, with approximately 20% of severance tax revenue directed to local governments in shale oil and gas producing regions of the state; and updating the commercial activity tax rate from its initial 0.26% rate established in 2005 to 0.30%); *workforce* (aligning the three main federal workforce programs through a single, integrated plan to provide faster and improved training; and expediting professional licensing and certification for veterans and their spouses); and *human services* (including increased access to crisis intervention and safe places for those with mental illness and addictions; allocating $26.9 million of non-GRF funds to support tobacco prevention and cessation programs; and expanding drug and substance abuse prevention in schools and prioritizing statewide funding for prevention initiatives). The 2014 MBR also proposed increasing appropriations to the Department of Rehabilitation and Correction by $53.5 million to address a rise in the prison population, and reducing local property tax reimbursement and debt service appropriations for the biennium by $35 million and $92 million, respectively, due to lower than expected payments, while continuing all necessary appropriations for debt service and lease rental payments for State obligations.

Those 2014 MBR proposals were introduced in the General Assembly in March as fourteen separate pieces of legislation, seven of which were enacted by the General Assembly in May and June addressing the subjects of elementary and secondary education (including $5 million for alternative education programs), higher education (including $3.1 million for the State share of instruction), workforce and human services (including $16 million for early education and child care, $16.8 million for adult and child protection services, and $3.2 million for Family and Children Services). As further implementation of the biennial appropriations Act and due to positive Fiscal Year 2014 financial results, the 2014 MBR legislation passed by the General Assembly also included the following additional reductions and adjustments to the State personal income tax resulting in an estimated net reduction in GRF revenues of $402 million in Fiscal Year 2015:

- Acceleration into calendar year 2014 of the remaining 1% reduction in State personal income tax rates previously scheduled to be effective in calendar year 2015.
- An increase in the non-refundable earned income tax credit from 5% to 10% of the federal earned income credit that is limited to 50% of liability for gross income that exceeds $20,000.
- A temporary increase in the deduction for small businesses from 50% up to 75% of annual business net income up to $250,000 for tax year 2014.
- An increase in the State income tax personal exemption from $1,700 to $2,200 for gross income less than $40,000, and from $1,700 to $1,950 for gross income between $40,000 and $80,000.

The 2014 MBR legislation passed by the General Assembly also authorized the OBM Director to transfer to a Medicaid reserve fund up to $300 million from the GRF, if necessary, to provide for the payment of Medicaid costs above the enacted level of appropriations. The full amount of this transfer was made at the end of Fiscal Year 2014 (see next paragraph for further transfers out of the Medicaid reserve fund at the end of Fiscal Year 2015).

Fiscal Year 2015 Financial Results. The State ended Fiscal Year 2015 with GRF cash and fund balances of $1.71 billion and $1.29 billion, respectively. Of that ending GRF fund balance, the State reserved $157.4 million to satisfy the requirement to maintain one-half of one percent of State Fiscal Year 2015 GRF revenues as an ending fund balance, carried-forward $393.0 million to cover the planned for and modest variance of Fiscal Year 2016 GRF appropriations over estimated revenue, transferred $425.5 million to the BSF, $50 million to the health and human services fund (see **Current Biennium** below for discussion on the creation of this fund), $42 million to the Straight A fund, $40 million to pay unemployment compensation loan interest and $20 million for disaster services. The State also made 14 other smaller transfers totaling $149.3 million with the remaining $9.1 million transferred to the income tax reduction fund. Of the $331.1 million Fiscal Year 2015 ending balance in the Medicaid reserve fund, the State transferred $72.0 million to a school district tangible personal property tax supplement fund, $101.1 million to the BSF (bringing its balance to $2.005 billion), and $158.0 million to the GRF.

Current Biennium

Consistent with State law, the Governor's Executive Budget for the 2016-17 biennium was released on February 2, 2015 and introduced in the General Assembly. After extended hearings and review, the 2016-17 biennial appropriations Act was passed by the General Assembly and signed (with selective vetoes) by the Governor on June 30, 2015. Reflecting a stated continuing focus on job creation, and based on a conservative economic forecast, that Act provides for GRF appropriations of approximately $34.9 billion in Fiscal Year 2016 (reflecting a 13.1% increase over Fiscal Year 2015 actual spending) and $36.3 billion in Fiscal Year 2017 (reflecting a 4.2% increase over Fiscal Year 2016 appropriations). Those total GRF appropriations of $71.2 billion for the 2016-17 biennium reflect a 14.9% increase over the 2014-15 GRF biennial appropriations and a 19.2% increase over the 2014-15 GRF actual expenditures. Those appropriations were based upon then estimated total expected GRF revenue of $34.9 billion in Fiscal Year 2016, which excludes the $393.0 million carried-forward from Fiscal Year 2015 (reflecting a 10.8% increase over Fiscal Year 2015 revenue), and $36.5 billion in Fiscal Year 2017 (reflecting a 4.6% increase over expected Fiscal Year 2016 revenues) (see discussion below of Fiscal Year 2017 GRF revenue revisions). Total then-estimated GRF revenues across the 2016-17 biennium reflected a 17.5% increase from 2014-15 GRF biennial revenues.

GRF major program categories (excluding debt service) reflect the following increases: for Medicaid, 21.8% in Fiscal Year 2016 appropriations over Fiscal Year 2015 expenditures (driven in large part to the shift in funding to the GRF from non-GRF sources beginning in Fiscal Year 2016 for the Medicaid expansion population), and 5.1% for Fiscal Year 2017 appropriations over Fiscal Year 2016 appropriations (in total increasing 30.6% over 2014-15 actual spending); for elementary and secondary education, 5.0% for Fiscal Year 2016 appropriations over Fiscal Year 2015 expenditures, and 4.2% for Fiscal Year 2017 appropriations over Fiscal Year 2016 appropriations (in total increasing 10.9% over 2014-15 actual spending); for higher education, 4.5% for Fiscal Year 2016 appropriations over Fiscal Year 2015 expenditures, and 3.3% for Fiscal Year 2017 appropriations over Fiscal Year 2016 appropriations (in total increasing 7.5% over 2014-15 actual spending); for mental health and developmental disabilities, 9.1% for Fiscal Year 2016 appropriations over Fiscal Year 2015 expenditures, and 7.3% for Fiscal Year 2017 appropriations over Fiscal Year 2016 appropriations (in total increasing 13.1% over 2014-15 actual spending); for corrections and youth services, 4.8% for Fiscal Year 2016 appropriations over Fiscal Year 2015 expenditures, and 3.0% for Fiscal Year 2017 appropriations over Fiscal

Year 2016 appropriations (in total increasing 6.6% over 2014-15 actual spending). The Act also modifies the school funding formula to distribute new resources to districts with less capacity to raise revenues locally (see **SCHOOLS AND MUNICIPALITIES – Schools**) and freezes tuition and fees for two- and four year higher education institutions.

The Executive Budget, the 2016-17 appropriations Act and separate appropriations acts for the biennium include all necessary debt service and lease rental payment appropriation authority related to State debt obligations.

The 2016-17 biennial appropriations Act reflected the following tax reductions and related adjustments, resulting in an estimated net reduction in GRF revenues (relative to prior law) of $869.0 million in Fiscal Year 2016 and $952.0 million in Fiscal Year 2017, including:

- An across-the-board 6.3% reduction in State personal income tax rates in calendar year 2015.
- Continuation of the 75% exemption on the first $250,000 of business net income for small businesses in tax year 2015 (previously increased on a temporary basis for tax year 2014 (see **FISCAL MATTERS – Recent and Current Finances – Recent Biennia - 2014-15**)) and completely exempting the first $250,000 of business net income in tax year 2016 and beyond.
- Beginning in tax year 2015, replacing the multi-bracket tax system for small businesses with a low flat rate of 3% on the amount of business net income. Legislation subsequently passed by the General Assembly clarifying this provision is estimated by OBM to reduce GRF revenues in Fiscal Year 2016 by up to $81 million.
- Beginning in tax year 2015, limiting certain retirement income credits to taxpayers whose individual or joint adjusted gross income is less than $100,000 (this exemption was previously available to all taxpayers aged 65 years and older).
- An increase in the cigarette tax from $1.25 per pack (of 20 cigarettes) to $1.60 pack, effective July 1, 2015.

The 2016-17 biennial appropriations Act also reflects:

- The resumption of the phase-out of reimbursements to local governments and school districts in connection with the elimination of the tangible personal property tax, resulting in an increased share (estimated at $428.7 million in Fiscal Year 2016 and $445.3 million in Fiscal Year 2017) of the commercial activity tax being deposited into the GRF (see **TAX LEVELS AND TAX BASES – Property Tax**).
- The continuing phase-out of reimbursements to local governments and school districts for electric power generation deregulation and natural gas deregulation resulting in an increased share (estimated at $56.3 million in Fiscal Year 2016 and $56.0 million in Fiscal Year 2017) of the kilowatt-hour tax being reallocated to the GRF.

The 2016-17 appropriations Act also created a health and human services fund to pay for public health programs or services and authorized the OBM Director to transfer $150 million in Fiscal Year 2017, which amount is in addition to the $50 million transferred at the end of Fiscal Year 2015

Fiscal Year 2016 Financial Results. The State ended Fiscal Year 2016 with a GRF cash and fund balance of $1.19 billion and $764.7 million, respectively. These ending balances reflect approximately $1.18 billion in Fiscal Year 2016 underspending due largely to Medicaid expenditures coming in $925.9 million below the original Fiscal Year 2016 spending estimate. Of that ending GRF fund balance, the State reserved $169.7 million to satisfy the requirement to maintain one-half of one percent of State Fiscal Year 2016 GRF revenues as an ending fund balance, transferred $29.5 million to the BSF and obligated (i) $150 million to the Health and Human Services Fund, (ii) $100 million to the Public School Building Fund, and (iii) $25 million to the Emergency Purposes/Contingency Fund. The remaining $290.6 million will be carried forward to cover the planned for and modest variance of Fiscal Year 2017 GRF appropriations over estimated GRF revenue.

As is customary at the beginning of the second Fiscal Year of a biennium, OBM revises its Fiscal Year 2017 GRF revenue forecast to reflect updated economic assumptions, actual Fiscal Year 2016 revenue performance, and any tax law adjustments enacted by General Assembly after adoption of the 2016-17 biennial appropriations Act. As part of this revision, OBM reduced its estimated Fiscal Year 2017 GRF tax revenue forecast by $282.0 million, a 1.2% reduction compared to the original Fiscal Year 2017 tax revenue forecast. The largest variances

are in the personal income tax (reduced by $223.0 million or 2.6%), the commercial activity tax (reduced by $45.4 million or 3.4%) and the cigarette tax (increased by $45.6 million or 4.9%).

OBM is currently projecting a positive GRF fund balance at the end of Fiscal Year 2017. As discussed above, the State is effectively precluded by its Constitution from ending a Fiscal Year or a biennium in a "deficit" position. OBM continually monitors and analyzes revenues and expenditures and related developments (including pending litigation) and prepares at the end of each month a financial report, the most recent of which is accessible via OBM's home page at http://obm.ohio.gov with copies also available upon request to OBM.

Cash Flow

Because GRF cash receipts and disbursements do not precisely coincide, temporary GRF cash flow deficiencies often occur in some months, particularly the middle months, of a Fiscal Year. Statutory provisions provide for effective management of cash flow by permitting the adjustment of payment schedules (as was done during some prior Fiscal Years) and the use of the Total Operating Fund (TOF). The State has not done and does not do external revenue anticipation borrowing.

The TOF includes the total consolidated cash balances, revenues, disbursements and transfers of the GRF and several other specified funds (including the BSF). The TOF cash balances are consolidated only for the purpose of meeting cash flow requirements, and, except for the GRF, a positive cash balance must be maintained for each discrete fund included in the TOF. The GRF is permitted to incur a temporary cash deficiency by drawing upon the available consolidated cash balance in the TOF. The amount of that permitted GRF cash deficiency at any time is limited by statute to 10% of GRF revenues for the then preceding Fiscal Year.

The State plans for and manages monthly GRF cash flow deficiencies within each Fiscal Year. GRF cash flow deficiencies have been within the TOF limitations discussed above.

STATE DEBT

General

The incurrence or assumption of debt by the State without a popular vote is, with limited exceptions, prohibited by the State Constitution. The State is authorized to incur debt limited in amount to $750,000 to cover casual deficits or to address failures in revenues or to meet expenses not otherwise provided for. The Constitution expressly precludes the State from assuming the debts of any county, city, town or township, or of any corporation. (An exception in both cases is for debts incurred to repel invasion, suppress insurrection, or defend the State in war.) The Constitution provides that "Except the debts above specified . . . no debt whatever shall hereafter be created by, or on behalf of the state."

By 20 constitutional amendments approved from 1921 to present, Ohio voters have authorized the incurrence of State general obligation debt and the pledge of taxes or excises to its payment, all related to the financing of capital facilities, except for three that funded bonuses for veterans, one to fund coal technology research and development, and one to fund other research and development activities. Currently, tax supported general obligation debt of the State is authorized to be incurred for the following purposes: highways, local infrastructure, coal development, natural resources and parks, higher education, common schools, conservation, research and development, site development, and veterans compensation. Although supported by the general obligation pledge, highway debt is also backed by a pledge of and has always been paid from the State's motor fuel taxes and other highway user receipts that are constitutionally restricted in use to highway related purposes.

State special obligation debt, the owners or holders of which are not given the right to have excises or taxes levied by the General Assembly to pay principal and interest, is authorized for purposes specified by Section 2i of Article VIII of the Constitution. The Treasurer of State currently issues the special obligations authorized under that Section 2i for parks and recreation and mental health facilities, and for facilities to house branches and agencies of State government and their functions, including: State office buildings and facilities for the Department of Administrative Services (DAS) and others, the Department of Transportation (ODOT); correctional and juvenile detention facilities for the Departments of Rehabilitation and Correction (DRC) and Youth Services (DYS), various cultural facilities, and formerly for the Department of Public Safety (DPS). Debt service on all these special obligations is paid from GRF appropriations, with the exception of debt issued for ODOT and DPS facilities which is paid from highway user receipts. All of those debt service payments are subject to biennial appropriations by the General Assembly pursuant to leases or other agreements entered into by the State.

Certificates of Participation (COPs). State agencies also have participated in buildings and equipment, information systems and non-highway transportation projects that have local as well as State use and benefit, in connection with which the State has entered into lease-purchase agreements with terms ranging from 7 to 20 years. Certificates of Participation (COPs) have been issued in connection with those agreements that represent fractionalized interests in and are payable from the State's anticipated lease payments. The maximum annual payment from GRF appropriations under those existing agreements is $44.3 million in Fiscal Year 2017 and the total GRF-supported principal amount outstanding is $174.0 million. Payments by the State are subject to biennial appropriations by the General Assembly with the lease terms subject to automatic renewal for each biennium for which those appropriations are made. The approval of the OBM Director and either the General Assembly or the State Controlling Board is required if COPs are to be publicly offered in connection with those agreements.

Revenue Bonds. Certain State agencies issue revenue bonds that are payable from revenues from or relating to revenue producing facilities, such as those issued by the Ohio Turnpike and Infrastructure Commission. By judicial interpretation, such revenue bonds do not constitute "debt" under the constitutional provisions described above. The Constitution authorizes State bonds for certain economic development and housing purposes (the latter issued by the Ohio Housing Finance Agency) to which tax moneys may not be obligated or pledged. See the discussion of expanded housing finance authority, and permitted pledges to it, below under **Additional Authorizations**.

Tax Credits in Support of Other Long Term Obligations. The State has authorized the issuance of fully refundable tax credits in support of "credit-collateralized bonds" issued from time to time by the Columbus-Franklin County Finance Authority to provide funding for the Ohio Capital Fund (OCF) to promote venture capital investment in Ohio and any additional bonds that may be issued to refinance those outstanding bonds or provide additional funding for that purpose. Those tax credits may be claimed by the bond trustee for the purpose of restoring the bond reserve fund for those credit-collateralized bonds in the event it is drawn upon and its required balance is not restored from other sources. Those credits may not be claimed after June 30, 2036, and the maximum amount of tax credits that may be claimed is $20 million in any fiscal year and $380 million in total. The highest annual payment for outstanding credit-collateralized bonds is $19.6 million in Fiscal Year 2022 and the total principal amount outstanding for those bonds is $164.0 million. Proceeds of the OCF bonds fund investments in venture capital funds to promote investment in seed and early-stage Ohio-based business enterprises.

Prior Economic Development and Revitalization Obligations. Prior to the February 1, 2013 granting of a 25-year franchise on the State's spirituous liquor system to JobsOhio, there were outstanding $725.0 million of State bonds and notes secured by a pledge of the State's profits from the sale of spirituous liquor. In connection with the granting of that franchise, provision was made for the payment of all the debt service on those bonds and notes which are defeased and no longer outstanding obligations of the State (see **FISCAL MATTERS – Recent and Current Finances – Recent Biennia - 2012-13)**. Those bonds and notes were originally issued to fund a statewide economic development program that assisted in the financing of facilities and equipment for industry, commerce, research and distribution, including technology innovation, by providing loans and loan guarantees. Under its franchise agreement with JobsOhio, the State may not issue additional obligations secured by a pledge of profits from the sale of spirituous liquor during the 25-year term of that franchise.

Obligations and Funding Commitments for Highway Projects Payable from Highway-Related Non-GRF Funds. As described above, the State's highway general obligations and special obligations for ODOT and DPS facilities have always been paid from the State's motor fuel tax and other highway user receipts that are constitutionally restricted in use to highway related purposes. In addition to its issuance of highway general obligation bonds, the State has and expects to continue financing selected highway infrastructure projects by issuing federal highway grant anticipation revenue (GARVEE) bonds and entering into agreements that call for debt service payments to be made from federal Title 23 transportation funds allocated to the State, subject to biennial appropriations by the General Assembly. The highest annual State payment under those agreements in the current or any future fiscal year is $162.3 million in Fiscal Year 2017. In the event of any insufficiency in the anticipated federal allocations to make payments on GARVEE bonds, the payments are to be made from any lawfully available moneys appropriated to ODOT for the purpose.

In December 2014, ODOT also entered into its first public-private agreement to provide "availability payments" in support of the development and operation of a State highway improvement project. Those

availability payments are expected to be paid from non-GRF funds available to ODOT remaining after the payment of debt service on highway general obligations, ODOT special obligations and GARVEE bonds. That public-private agreement provides for availability payments in a base annual amount of $25.8 million beginning no earlier than Fiscal Year 2019, increasing to a projected maximum payment of $40.6 million in Fiscal Year 2053. Availability payments are subject to biennial appropriation by the General Assembly with the public-private agreement subject to automatic renewal for each biennium if and when those availability payments are appropriated for that biennium.

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Variable Rate Debt

The State currently has $428,050,000 in outstanding general obligation variable rate debt as follows with liquidity provided by the State for all of these issues:

Dated Date	Outstanding	Purpose/Series	Rate Period	Final Maturity
11/29/01	$42,600,000	Infrastructure, 2001B	Weekly	8/1/2021
2/26/03	18,575,000	Infrastructure Refunding, 2003B	Weekly	8/1/2017
3/20/03	28,895,000	Infrastructure Refunding, 2003D	Weekly	2/1/2019
12/15/03	67,000,000	Common Schools, 2003D	Weekly	3/15/2024
3/3/04	53,340,000	Infrastructure Refunding, 2004A	Weekly	2/1/2023
4/1/05	102,650,000	Common Schools, 2005A/B	Weekly	3/15/2025
6/7/06	114,990,000	Common Schools, 2006B/C	Weekly	6/15/2026

Interest Rate Swaps

As part of its debt management, the State is also party to the following floating-to-fixed interest rate swap agreements with a total notional amount currently outstanding of $380,580,000:

Outstanding Notional Amount	Related Bond Series	State Pays	State Receives	Counterparty	Effective Date	Termination Date
$42,600,000	Infrastructure 2001B	4.630%	SIFMA[1]	JP Morgan/ Wells Fargo	11/29/2001	8/1/2021
67,000,000	Common Schools 2003D	3.414%	LIBOR[2]	JP Morgan/ Wells Fargo	9/14/2007	3/15/2024
53,340,000	Infrastructure 2004A Refunding	3.510%	LIBOR[2]	Wells Fargo	3/3/2004	2/1/2023
102,650,000	Common Schools 2005A/B	3.750%	LIBOR[2,3]	JP Morgan	3/15/2007	3/15/2025
114,990,000	Common Schools 2006B/C	3.202%	LIBOR[2]	US Bank/ RBC	6/15/2006	6/15/2026

[1] Securities Industry and Financial Markets Association (SIFMA) weekly variable rate index.
[2] Variable interest rate based on a percentage of one-month London Inter-Bank Offered Rate (LIBOR) plus a fixed increment.
[3] Variable interest rate based on 62% of 10-year LIBOR beginning September 15, 2014.

For all its swap agreements, the State has established minimum uncollateralized counterparty rating thresholds of AA-/Aa3. Under each of these agreements, the counterparty is required to progressively post collateral securing the State's position if the counterparty's credit ratings fall below these minimum thresholds.

Constitutional Limitation on Annual Debt Service

A 1999 constitutional amendment provides an annual debt service "cap" applicable to most future issuances of State general obligations and other State direct obligations payable from the GRF or net State lottery proceeds. Generally, new obligations may not be issued if debt service for any future Fiscal Year on those new and the then outstanding obligations of those categories would exceed 5% of the total of estimated GRF revenues (excluding GRF receipts from the American Recovery and Reinvestment Act of 2009) plus net State lottery proceeds for the Fiscal Year of issuance. Those direct obligations of the State include general obligations and special obligations that are paid from the State's GRF, but exclude (i) general obligation debt for third frontier research and development, development of sites and facilities, and veterans compensation, and (ii) general obligation debt payable from non-GRF funds (such as highway bonds that are paid from highway user receipts). Pursuant to the implementing legislation, the Governor has designated the OBM Director as the State official responsible for making the 5% determinations and certifications. Application of the 5% cap may be waived in a particular instance by a three-fifths vote of each house of the Ohio General Assembly and may be changed by future constitutional amendments.

The following table presents a current summary of State debt authorizations and the principal that has been issued and is outstanding against those authorizations, excluding the Series 2016 Bonds. The General Assembly has appropriated sufficient moneys to meet debt service requirements for the current biennium (ending June 30, 2017) on all of the obligations included in this and the accompanying tables.

	Authorized by General Assembly	Issued(a)	Outstanding(b)
Obligations Payable from the GRF			
General Obligations			
Coal Development(c)	$258,000,000	$234,000,000	$35,400,000
Infrastructure(d,e)	4,082,000,000	3,599,986,136	1,655,840,000
Natural Resources(f)	458,000,000	418,130,000	134,965,000
Common School Facilities(e)	5,170,000,000	4,470,000,000	2,574,440,000
Higher Education Facilities	4,015,000,000	3,220,000,000	1,955,640,000
Conservation(g)	600,000,000	400,000,000	205,825,000
Research & Development(h)	1,200,000,000	761,000,000	449,885,000
Site Development	150,000,000	150,000,000	73,200,000
Veterans Compensation(i)	200,000,000	83,910,000	57,395,000
		Total:	$7,142,590,000
Special Obligations			
DAS Facilities	$1,937,700,000	$1,776,000,000	$548,120,000
DRC Prison Facilities	2,261,000,000	1,954,500,000	423,850,000
DYS Facilities	379,000,000	332,000,000	93,175,000
Cultural & Sports Facilities	641,000,000	574,690,000	138,855,000
Mental Health Facilities	1,636,000,000	1,567,085,000	204,490,000
Parks & Recreation Facilities	840,000,000	628,000,000	278,750,000
		Total:	$1,687,240,000
Obligations Payable from Non-GRF Sources(j)			
Highway User Receipts			
G.O. Highway(k)	$3,428,000,000	$2,921,410,000	$900,865,000
ODOT Facilities	341,000,000	240,100,000	80,870,000
DPS Facilities	140,285,000	140,285,000	8,085,000
		Total:	$989,820,000
Federal Transportation Grants			
ODOT GARVEE Highway(l)	n.a.	$2,205,735,000	$862,105,000

(a) Excludes refunding bonds; includes bonds refunded.
(b) Excludes bonds refunded; includes refunding bonds.
(c) Not more than $100,000,000 may be outstanding at any time.
(d) Not more than $3,750,000,000 may be issued with the annual issuance currently limited to no more than $150,000,000 in any Fiscal Year plus any obligations unissued from previous Fiscal Years. See **Recent Debt Authorizations** below for additional $1,875,000,000 constitutional authorization for this purpose approved by the voters in May 2014.
(e) Includes adjustable rate bonds.
(f) Not more than $50,000,000 may be issued in any Fiscal Year and not more than $200,000,000 may be outstanding at any time. Issued amount includes $130,000 in refunding bonds in excess of the principal amount of the bonds refunded.
(g) Not more than $50,000,000 may be issued in any Fiscal Year and not more than $400,000,000 may be outstanding at any time.
(h) Not more than $1,200,000,000 may be issued with the annual issuance now limited to no more than $175,000,000 in any Fiscal Year plus any obligations unissued from previous Fiscal Years.
(i) Constitutional authorization was self-implementing and did not require further General Assembly authorization. No more new obligations may be issued under this authorization.
(j) See discussion above of "availability payments" under ODOTs first public-private agreement, which payments are expected to be made from biennial appropriations of non-GRF funds available to ODOT and remaining after the payment of debt service on highway general obligations, special obligations and GARVEE bonds shown above.
(k) Not more than $220,000,000 may be issued in any Fiscal Year plus any amount unissued from previous Fiscal Years, and not more than $1.2 billion may be outstanding at any time.
(l) Debt service on these "GARVEE" bonds is paid from federal transportation grants apportioned to the State (Title 23 of the U.S. Code).

The following table shows total Fiscal Year debt service on outstanding State obligations currently payable from the GRF, excluding the Series 2016 Bonds:

Annual Debt Service Requirements on State Obligations Paid from the GRF

	General Obligations			Special Obligations			Total GRF Debt Service		
FY	Education(a)	Infra-structure(b)	All Other(c)	DAS Facilities	DRC Facilities	All Other(d)	Principal	Interest	Total
2017	$615,453,894	$229,083,841	$196,160,000	$92,460,367	$79,329,803	$116,013,291	$920,610,000	$407,372,225	$1,327,982,225
2018	595,774,478	217,890,414	171,237,987	93,104,889	70,558,594	122,105,448	894,905,000	375,766,810	1,270,671,810
2019	606,143,049	200,278,912	154,846,905	82,388,874	62,154,875	107,282,830	875,710,000	337,385,446	1,213,095,446
2020	604,716,842	188,744,584	142,135,724	74,990,436	49,709,313	95,479,829	856,530,000	299,246,727	1,155,776,727
2021	597,396,583	177,782,180	117,885,664	74,437,338	49,681,863	80,716,253	837,035,000	260,864,880	1,097,899,880
2022	560,556,694	169,551,575	96,171,265	64,500,222	49,422,588	68,559,131	785,645,000	223,116,474	1,008,761,474
2023	493,698,238	160,142,889	84,142,990	58,774,388	45,367,763	68,472,545	722,965,000	187,633,812	910,598,812
2024	394,472,020	142,323,196	63,627,488	48,685,597	43,484,144	63,179,629	600,085,000	155,687,074	755,772,074
2025	332,087,031	133,980,129	42,809,927	43,151,150	38,920,081	56,477,751	518,710,000	128,716,068	647,426,068
2026	262,376,241	121,264,856	36,744,249	20,148,323	15,195,206	38,735,675	385,915,000	108,549,550	494,464,550
2027	206,771,948	106,550,846	19,788,159	20,144,569	15,196,181	29,210,300	305,660,000	92,002,003	397,662,003
2028	185,687,132	106,433,646	16,297,350	20,143,813	15,198,181	22,748,300	288,410,000	78,098,423	366,508,423
2029	185,904,093	97,695,935	11,438,000	20,149,668	15,207,181	22,745,875	288,570,000	64,570,752	353,140,752
2030	186,107,280	80,642,402	7,906,625	15,860,918	12,378,931	22,736,219	274,415,000	51,217,375	325,632,375
2031	186,365,127	80,471,191	4,520,250	12,480,831	12,377,213	17,119,125	275,315,000	38,018,736	313,333,736
2032	162,044,913	54,775,450	-0-	12,486,181	9,081,250	9,394,125	221,550,000	26,231,919	247,781,919
2033	94,809,725	45,799,625	-0-	10,048,344	9,081,250	-0-	143,010,000	16,728,944	159,738,944
2034	71,164,625	34,983,125	-0-	5,975,800	9,082,125	-0-	111,385,000	9,820,675	121,205,675
2035	47,310,500	11,379,000	-0-	5,974,800	5,522,625	-0-	65,925,000	4,261,925	70,186,925
2036	23,124,000	11,377,500	-0-	-0-	5,524,750	-0-	39,050,000	976,250	40,026,250
							$9,411,400,000	**$2,866,266,068**	**$12,277,666,068**

(a) Consists of common schools and higher education general obligation bonds and includes estimated debt service on adjustable rate bonds for common schools.
(b) Includes estimated debt service on adjustable rate bonds.
(c) Includes natural resources, coal development, conservation, research and development, site development and veteran's compensation general obligation bonds.
(d) Includes lease-rental bonds for mental health, parks and recreation, cultural and sports facilities, and facilities for the Department of Youth Services.

The following table shows total Fiscal Year debt service on certain outstanding State obligations currently payable from the indicated non-GRF revenues.

Annual Debt Service Requirements on State Obligations Paid from Non-GRF Revenues

	Highway User Receipts			GARVEE Federal Transportation Grants(b)
FY	Highway G.O.	ODOT/DPS Facilities(a)	Total	
2017	$127,398,654	$10,549,475	$137,948,129	$ 162,323,401
2018	111,840,730	10,554,100	122,394,830	151,184,347
2019	110,367,583	10,557,000	120,924,583	146,029,262
2020	108,302,112	9,708,200	118,010,312	141,486,296
2021	106,655,092	9,712,750	116,367,842	106,926,178
2022	104,300,702	8,144,500	112,445,202	62,138,750
2023	102,155,331	8,147,000	110,302,331	61,362,463
2024	99,967,152	8,146,250	108,113,402	60,621,150
2025	83,080,270	8,146,750	91,227,020	59,876,250
2026	54,724,550	8,142,750	62,867,300	24,098,375
2027	53,138,800	8,143,750	61,282,550	24,100,625
2028	51,545,300	8,143,750	59,689,050	24,099,625
2029	34,887,800	8,142,000	43,029,800	24,097,750
2030	16,720,000	8,142,750	24,862,750	-0-
2031	15,960,000	-0-	15,960,000	-0-

(a) Lease rental payments are paid from highway user receipts for these Ohio Department of Transportation and Department of Public Safety facilities.

(b) Debt service paid from federal transportation grants apportioned to the State under Title 23 of the U.S. Code.

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The following table shows the principal amount of those obligations that are currently scheduled to be outstanding as of July 1 of the indicated years, excluding the Series 2016 Bonds:

	Obligations Payable from the GRF			Non-GRF Obligations
Year	Education(a)	Other GO(b)	Special Obligations(c)	Highway User Receipts(d)
2017	$4,834,845,000	$2,757,675,000	$1,818,880,000	$991,105,000
2020	3,183,690,000	1,639,430,000	1,040,525,000	654,255,000
2025	1,325,765,000	714,735,000	358,705,000	233,890,000
2030	525,210,000	219,085,000	111,940,000	15,200,000

(a) Includes obligations for common school and higher education capital facilities.
(b) Includes natural resources, coal development, infrastructure improvement, conservation, research and development, site development and veterans compensation general obligation bonds.
(c) Includes lease-rental obligations for various state capital facilities.
(d) Includes general obligations for highways and lease-rental obligations for ODOT and DPS facilities.

The following tables show certain historical debt information and comparisons. These tables include only outstanding obligations of the State for which debt service is paid from the GRF.

Fiscal Year	Principal Amount Outstanding	Outstanding Debt Per Capita	Outstanding Debt as % of Annual Personal Income
1980	$1,991,915,000	$184	1.86%
1990	3,707,054,994	342	1.83
2000	6,308,680,025	556	1.94
2010	8,586,655,636	744	2.05
2011	8,996,752,848	779	2.01
2012	9,760,505,915	845	2.10
2013	9,263,358,266	800	1.96
2014	9,517,346,998	821	1.94
2015	9,354,508,600	805	1.85(b)
2016	9,271,400,000	798(a)	1.83(b)

Fiscal Year	Debt Service Payable	Total GRF Revenue and Net State Lottery Proceeds	Debt Service as % of GRF Revenue and Lottery Proceeds	Debt Service as % of Annual Personal Income
1980	$187,478,382	$4,835,670,223	3.88%	0.18%
1990	488,676,826	12,230,681,298	4.00	0.24
2000	871,313,814	20,711,678,217	4.21	0.27
2010	710,284,236*	24,108,466,000**	2.95	0.17
2011	755,023,015*	26,777,133,000**	2.82	0.17
2012	692,776,090*	27,956,513,000	2.48	0.15
2013	1,204,775,861	30,361,815,000	3.97	0.26
2014	1,237,701,225	30,137,140,000	4.11	0.25
2015	1,278,258,664	32,463,100,000	3.94	0.25(b)
2016	1,314,513,346	34,997,651,000	3.76	0.26(b)

(a) Based on July 2015 population estimate.
(b) Based on preliminary 2015 personal income data.

* Reduction is due in large part to the restructuring of certain GRF debt service payments resulting in net savings of $416.8 million in Fiscal Year 2010, $336.9 million in Fiscal Year 2011, and $449.3 million in Fiscal Year 2012.

** Excludes federal funds from the American Recovery and Reinvestment Act of 2009.

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Recent Debt Authorizations

Only a portion of State capital needs can be met by direct GRF appropriations, so additional State borrowing for capital and other purposes has been and will continue to be required. For the 2017-18 capital biennium, the General Assembly approved $2.62 billion in new capital appropriations, with $2.184 billion of those new capital appropriations to be funded by GRF-supported debt authorizations, $100 million to be funded from non-GRF debt authorizations (for Ohio Department of Transportation maintenance facilities) and the remaining $338 million to be funded from cash. All of the following additional GRF-supported borrowing authorizations to fund those appropriations are reflected in the preceding tables:

General Obligation

- $400,000,000 for capital improvements for elementary and secondary public schools.
- $332,000,000 for local infrastructure projects.
- $480,000,000 for higher education facilities.
- $15,000,000 for natural resources facilities.
- $100,000,000 for conservation purposes.
- $7,000,000 for coal development purposes.

Special Obligation

- $142,000,000 for prisons and local jails.
- $28,000,000 for youth services facilities.
- $102,000,000 for State administrative facilities.
- $48,000,000 for cultural facilities (including both arts and sports facilities).
- $54,000,000 for mental health facilities (including local projects).
- $217,000,000 for parks and recreation facilities (including local projects).

In addition to the above $400 million general obligation debt authorization for elementary and secondary public school improvements, the General Assembly also appropriated $100 million to be funded from a GRF cash transfer and $50 million from State lottery profits for elementary and secondary public school capital improvements.

Recent constitutional authorizations are:

- 2014 – authorizes an additional $1.875 billion of general obligation debt for public infrastructure as a ten-year extension of the existing local government infrastructure program authorized in 2005, with an increase in the annual issuance amount from $150 million to $175 million in the first five Fiscal Years and $200 million in each Fiscal Year thereafter.

- 2010 – authorizes the issuance of $700 million of State general obligation debt to renew and continue programs for research and development in support of Ohio industry, commerce, and business, with those obligations not subject to the 5% debt service cap described above. The authorization is in addition to the below-referenced 2005 constitutional amendment for the same purpose. The amount of all State general obligations that may be issued for, and the amounts of proceeds from those State general obligations that may be committed to, those research and development purposes, are limited to no more than $450 million total for the period including State Fiscal Years 2006 through 2011, no more than $225 million in Fiscal Year 2012 and no more than $175 million in any Fiscal Year thereafter, plus any amounts that in any prior Fiscal Year could have been but were not issued.

- 2009 – authorized the issuance of State general obligation debt to provide compensation to persons who have served in active duty in the United States armed forces at any time during the Persian Gulf, Afghanistan, and Iraq conflicts, with those obligations not subject to the 5% direct obligation debt service cap described above. Not more than $200 million in obligations could have been issued no later than December 31, 2013.

- 2008 – authorizes the issuance of State bonds for land conservation and revitalization purposes (including statewide brownfields clean-up). For each of the two purposes, the authorization is for not more than $50 million in principal amount to be issued in any Fiscal Year and not more than $200 million to be outstanding at any time. The bonds for conservation purposes are general obligations, and those for revitalization purposes are special obligations payable from revenues and receipts designated by the General Assembly (previously a portion of the State's net liquor profits; see **FISCAL**

MATTERS – Recent and Current Finances – Recent Biennia - 2012-13). The authorization is in addition to the 2000 constitutional amendment for the same purposes.

- 2005 – authorizes the issuance over ten years of $500 million of State general obligation debt in support of research and development, and $150 million of State general obligation debt for the development of sites for industry, commerce, distribution and research and development, with those obligations not subject to the 5% debt service cap described above. Also authorizes an additional $1.35 billion of general obligation debt for public infrastructure as a ten-year extension of the existing local government infrastructure program, with an increase in the annual issuance amount from $120 million to $150 million in the last five Fiscal Years, which continues to be subject to that 5% debt service cap.

- 2000 – authorizes the issuance of State bonds for land conservation and revitalization purposes (including statewide brownfields clean-up). For each of the two purposes, the amendment authorizes not more than $50 million in principal amount to be issued in any Fiscal Year and not more than $200 million to be outstanding at any time. The bonds for conservation purposes are general obligations, and those for revitalization purposes are special obligations payable from revenues and receipts designated by the General Assembly (previously a portion of the State's net liquor profits; see **FISCAL MATTERS – Recent and Current Finances – Recent Biennia - 2012-13**).

- 1999 – authorizes State general obligation debt to pay costs of facilities for a system of common schools throughout the state and for state-supported and state-assisted institutions of higher education. The amendment also provides for the 5% direct obligation debt service cap described above.

- 1995 – authorizes additional highway bonds and extends the local infrastructure bond program. For the latter, it authorized an additional $1.2 billion of State full faith and credit obligations to be issued over 10 years, with not more than $120 million to be issued in any Fiscal Year. The highway finance portion authorizes not more than $1.2 billion to be outstanding at any time and not more than $220 million to be issued in any Fiscal Year.

- 1994 – pledges the State's full faith and credit and taxing power to meet certain guarantees under the State's tuition credit program, a program that provides for the purchase of tuition credits which are guaranteed to cover a specified amount when applied to tuition and other eligible higher education costs. Under the amendment, to secure the tuition guarantees, the General Assembly shall appropriate money sufficient to offset any deficiency that occurs in the trust fund, at any time necessary to make payment of the full amount of any tuition payment or refund required by a tuition payment contract.

- 1990 – authorizes greater State and political subdivision participation in the provision of individual and family housing. This supplements the previous constitutionally authorized loans-for-lenders and other housing assistance programs, financed in part with State revenue bonds. The amendment authorizes the General Assembly to provide for State assistance for housing in a variety of ways, including State borrowing for the purpose by the issuance of obligations secured by a pledge of all or such portion of State revenues or receipts as it authorizes (but not by a pledge of the State's full faith and credit).

- 1985 – authorizes the issuance of general obligation debt to finance grants or make or guarantee loans for research and development of coal technology that will encourage the use of Ohio coal. Those grants or loans are available to any individual, association, or corporation doing business in the State or to any educational or scientific institution located in the State. Not more than $100 million may be outstanding at any time.

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ECONOMY AND EMPLOYMENT

Although manufacturing (including auto-related manufacturing) in Ohio remains an integral part of the State's economy, the greatest growth in Ohio's economy in recent years has been in the non-manufacturing sectors. Ohio's preliminary 2015 economic output, as measured by gross state product (GSP), totaled $608.1 billion, 3.41% of the national GDP and seventh largest among the states. The State ranks third within the manufacturing sector as a whole ($108.1 billion) and fourth in durable goods ($57.7 billion). As a percent of Ohio's preliminary 2015 GSP, 17.8% was attributable to manufacturing, with 23.0% attributable to the goods-producing sectors and 34.0% to the business services sectors, including finance, insurance and real estate. Ohio is the eighth largest exporting state with 2015 merchandise exports totaling $50.7 billion. The State's leading export products are machinery (including electrical machinery), motor vehicles and aircraft/spacecraft, which together accounted for 50.5% of that total.

Payroll employment in Ohio, in a diversifying employment base, decreased in 2001 through 2003, increased in 2004 through 2006, decreased in 2007 through 2010, and increased in 2011 through 2015. In the last three decades, there has been a shift toward the services industry, with manufacturing employment decreasing since its 1969 peak. The "non-manufacturing" sector employs approximately 87% of all non-farm payroll workers in Ohio. The changing mix of employment sectors nationally and in Ohio are shown in the following tables.

Ohio Nonfarm Payroll Jobs by Industry Type
Not Seasonally Adjusted (in 000)

	1980	1990*	2000*	2010*	2015*
Mining & Logging*	31	18	13	11	14
Construction	167	192	246	169	200
Manufacturing	1,264	1,060	1,021	621	687
Trade, Transportation & Public Utilities*	1,180	963	1,115	948	1,013
Financial Activities	n.a.	101	107	78	72
Information*	204	255	305	277	292
Services	831	1,172	1,549	1,672	1,835
Leisure & Hospitality*	n.a.	400	483	475	540
Government	690	722	785	786	769
TOTAL	4,367	4,882	5,625	5,036	5,421

Source: U.S. Department of Labor, Bureau of Labor Statistics, National and State Current Employment Statistics.
* Reflects change in the bases for industry classification from the 1987 Standard Industrial Classification System (SIC) to the 2002 North American Industry Classification System (NAICS). Data for 1990 and 2000 has been adjusted to reflect this change.

Distribution of Nonfarm Payroll Jobs by Industry Type (%)

	1980		1990*		2000*		2010*		2015*	
	Ohio	U.S	Ohio	U.S.	Ohio	U.S.	Ohio	U.S.	Ohio	U.S.
Mining & Logging*	**0.7**	1.1	**0.4**	0.7	**0.2**	0.5	**0.2**	0.5	**0.3**	0.6
Construction	**3.8**	4.8	**3.9**	4.8	**4.4**	5.1	**3.4**	4.2	**3.7**	4.5
Manufacturing	**29.0**	22.4	**21.7**	16.2	**18.2**	13.1	**12.3**	8.8	**12.7**	8.7
Trade, Transportation & Public Utilities*	**27.0**	28.2	**19.7**	20.7	**19.8**	19.9	**18.8**	18.9	**18.7**	19.0
Information*	n.a.	n.a.	**2.1**	2.5	**1.9**	2.7	**1.5**	2.1	**1.3**	1.9
Financial Activities	**4.7**	5.7	**5.2**	6.0	**5.4**	5.9	**5.5**	5.9	**5.4**	5.7
Services	**19.0**	19.8	**24.0**	23.9	**27.5**	28.1	**33.2**	32.2	**33.9**	33.4
Leisure & Hospitality*	n.a.	n.a.	**8.2**	8.5	**8.6**	9.0	**9.4**	10.0	**10.0**	10.7
Government	**15.8**	18.0	**14.8**	16.8	**14.0**	15.7	**15.6**	17.3	**14.2**	15.5

Source: U.S. Department of Labor, Bureau of Labor Statistics, National and State Current Employment Statistics. The distribution percentages are as calculated by OBM.
* Reflects change in the bases for industry classification from the 1987 Standard Industrial Classification System (SIC) to the 2002 North American Industry Classification System (NAICS). Data for 1990 and 2000 has been adjusted to reflect this change.

Ohio and U.S. unemployment rates have been as follows:

Average Monthly Unemployment Rates (Seasonally Adjusted)

Year	Ohio	U.S.
1980	8.4%	7.1%
1990	5.6	5.6
2000	4.0	4.0
2005	5.9	5.1
2006	5.4	4.6
2007	5.6	4.6
2008	6.4	5.8
2009	10.3	9.3
2010	10.3	9.6
2011	8.8	8.9
2012	7.4	8.1
2013	7.5	7.4
2014	5.7	6.2
2015	4.9	5.3
2016 January	4.9	4.9
February	4.9	4.9
March	5.1	5.0
April	5.2	5.0
May	5.1	4.7
June	5.0	4.9
July	4.8	4.9
August	4.7	4.9

Source: Ohio Department of Job and Family Services, Labor Market Information.

The following are the private sector employers that had the highest number of full-time equivalent employees (estimated and rounded) in Ohio in 2016:

OHIO'S TOP 25 PRIVATE SECTOR EMPLOYERS – 2016

Company	Estimated Employment Headcount	Sector
Cleveland Clinic Health System	48,200	Health Care
Wal-Mart Stores, Inc.	46,600	Retail General Merchandiser
Kroger Company	41,900	Retail Food Stores
Mercy Health	31,300	Health Care
University Hospitals Health System	26,000	Health Care
JPMorgan Chase & Co.	21,000	Financial Services
Giant Eagle, Inc.	20,000	Retail Food Stores
Ohio Health	19,950	Health Care
General Electric Company	16,000	Aerospace/Electrical Equipment
Cincinnati Children's Hospital	15,000	Health Care
Nationwide Mutual Insurance Co.	14,800	Finance, Insurance
Honda Motor Company	14,300	Motor Vehicles
Premier Health Partners	14,000	Health Care
ProMedica Health System	14,000	Health Care
United Parcel Service, Inc.	13,500	Transportation Air Delivery
Kettering Health Network	13,100	Health Care
Home Depot, Inc.	12,000	Retail Home Improvement
Meijer, Inc.	12,000	Retail General Merchandiser
TriHealth, Inc.	11,800	Health Care
Lowe's Companies, Inc.	11,760	Retail Home Improvement
Bob Evans Farms, Inc.	11,400	Restaurants
Procter & Gamble Company	10,700	Soaps and Consumer Goods
UC Health	10,000	Health Care
General Motors Corporation	9,950	Motor Vehicles
Marathon Petroleum Corporation	9,750	Retail Gas Stations

Boldface indicates headquartered in Ohio.
Source: Development Services Agency, Office of Research, April 2016.

POPULATION

Ohio's 2010 decennial census population of 11,536,504 indicated a 1.6% population growth over 2000 and ranked Ohio seventh among the states in population. The following tables show selected census figures.

Ohio Population — Total and by Age Group

Year	Total	Rank Among States	Decennial Growth Rate	1-19 Years	20-64 Years	65 and Over
1970	10,652,017	6	9.7%	4,124,400	5,539,600	993,500
1980	10,797,630	6	1.4	3,502,900	6,125,200	1,169,500
1990	10,847,115	7	0.5	3,141,000	6,299,100	1,407,000
2000	11,353,140	7	4.7	3,216,000	6,629,400	1,507,800
2010	11,536,504	7	1.6	3,067,126	6,847,363	1,622,015

* July 2015 Census population estimate is 11,613,423.

Source: U.S. Census Bureau Web Site, Population Estimates.

Population of Ohio Metropolitan Areas(a)

	1970	1980	1990	2000	2010
Cleveland	2,063,729	1,898,825	2,202,069(b)	2,250,871(b)	2,077,240(b)
Cincinnati	1,106,821	1,100,983	1,526,092(c)	1,646,395(c)	2,130,151(d)
Columbus	1,017,847	1,093,316	1,345,450(e)	1,540,157(e)	1,836,536(e)
Dayton	852,531	830,070	951,270(f)	950,558(f)	979,835(f)
Akron	679,239	660,328	657,575	694,960	703,200
Toledo	643,443	656,940	614,128	618,203	651,429
Youngstown-Warren	537,124	531,350	600,895(g)	594,746(g)	565,773(g)
Canton	393,789	404,421	394,106	406,934	404,422
Lorain-Elyria	256,843	274,909	(b)	(b)	(b)
Hamilton-Middletown	226,207	258,787	291,479	332,807	(d)
Lima	210,074	218,244	154,340	155,084	106,331
Mansfield	129,997	131,205	174,007(g)	175,818(g)	124,475
Steubenville	96,193	91,564	142,523(h)	132,008(h)	124,454(h)

(a) SMSAs in 1970 & 1980, MSAs in 1990 and 2000 (PMSA's for Cleveland, Cincinnati, Akron, and Hamilton-Middletown).
(b) Lorain-Elyria included with Cleveland.
(c) Includes 12 counties (two in Indiana and six in Kentucky).
(d) Includes 15 counties (three in Indiana and seven in Kentucky); includes Hamilton-Middletown.
(e) Newark added.
(f) Springfield added.
(g) Includes three counties.
(h) Weirton added; includes two counties in West Virginia.

Source: U.S. Census Bureau Web Site, Metropolitan Area Population Estimates.

AGRICULTURAL AND RESOURCES BASES

With 14.0 million acres (of a total land area of 26.4 million acres) in farmland and an estimated 74,500 individual farms, agriculture combined with related agricultural sectors is an important segment of Ohio's economy. Ohio's 2014 crop production value of $5.9 billion ranked thirteenth among states and represented 2.8% of the U.S. total value. Ohio's 2014 livestock production value of $4.1 billion ranked twentieth among states and represented 1.9% of the U.S. total value. Ohio accounts for 4.0% of total U.S. cash receipts for corn and 6.3% for soybeans. In 2014, Ohio's agricultural sector output (consisting of crops, livestock, poultry and dairy, and services and forestry, and all farm-related income) totaled $11.3 billion and represented 2.4% of the U.S. total value. Ohio purchased inputs (feed, seed, chemicals, fertilizer, livestock, utilities, labor, and machinery) totaled $5.9 billion. The net farm income on Ohio farms in 2014 was $1.7 billion.

The availability of natural resources, such as water and energy, is of vital nationwide concern. Ohio has large quantities of these important natural resources. With Lake Erie and the Ohio River on its borders, and many lakes and streams throughout the State, water is readily available for all uses. Additionally, Ohio has sizable coal resources ranking seventh among the states in coal reserves and eleventh in coal production in 2014.

STATE EMPLOYEES AND COLLECTIVE BARGAINING AGREEMENTS

Since 1985, the number of regular State employees (excluding employees who are not paid by State warrant such as state university employees) has ranged from a low of 51,886 in Fiscal Year 2015 to a high of 68,573 in 1994. At the end of Fiscal Year 2016, the number of regular State employees was 52,515. The State engages in collective bargaining with five employee unions representing 14 bargaining units, and generally operates under three-year agreements. The State's current collective bargaining agreements expire in February through June 2018.

RETIREMENT SYSTEMS

The State has established five public retirement systems to provide retirement, disability retirement and survivor benefits, and other post-employment benefits such as retiree health care. None of these benefits are guaranteed under the Ohio Constitution or under State law, or subject to bargaining under the State's current public employee collective bargaining law.

The Public Employees Retirement System (PERS), the largest of the five, covers both State and local public employees. The State Teachers Retirement System (STRS) and School Employees Retirement System (SERS) primarily cover school district and public higher education employees. The Highway Patrol Retirement System (HPRS) covers State troopers, and the Ohio Police and Fire Pension Fund (OP&F) covers local safety forces. Full financial information for each retirement system can be found on its website in that system's Comprehensive Annual Financial Report (CAFR).

The five retirement systems began reporting pensions in accordance with GASB Statement No. 67, Financial Reporting for Pension Plans, in Fiscal Year 2014, and the State began reporting pensions in accordance with GASB Statement No. 68, Accounting and Financial Reporting for Pensions, in Fiscal Year 2015. The five retirement systems and the State are also preparing to implement GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, and GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.

The retirement systems were created by and operate pursuant to State law. As reflected in the 2012 pension reform acts discussed below, the General Assembly has the power to amend the structure and benefit levels, impose or revise contribution rates or amounts, and to make other changes. The systems have never been subject to the funding and vesting requirements of the federal Employee Retirement Income Security Act (ERISA). Federal law requires employees hired on or after April 1, 1986 to participate in the Medicare program, with matching employer and employee contributions, each now 1.45% of the wage base. Otherwise, State employees covered by a State retirement system are not currently covered under the federal Social Security Act. Congress has from time to time considered legislation relating to public sector retirement funds and to other aspects of public employee retirement.

Funding for the retirement systems is provided by a combination of public employer and employee contributions based on percentages of each employee's compensation, with the employees' contributions being deducted from their paychecks. Those contribution percentages are either established in State law or by the retirement system board subject to a maximum contribution amount established in State law. With the exception of contributions for PERS law enforcement and public safety personnel, and the increased employee contributions for STRS, OP&F and HPRS included in the 2012 pension reform acts described below, the current contribution percentages for each system (set forth in the following table under **Retirement Contributions**) reflect the maximums permitted under State law.

In 1968, the Ohio General Assembly created the Ohio Retirement Study Council (ORSC) to advise and inform the legislature on all matters relating to the benefits, funding, investment, and administration of the five statewide retirement systems. The ORSC is composed of nine voting members: three members of the House appointed by the Speaker; three members of the Senate appointed by the President; and three members appointed by the Governor (one representing the State, one representing local governments, and the third representing public education institutions). The five executive directors of the retirement systems also serve as nonvoting members of the ORSC.

Under State law, each retirement system's board is required to establish a period of not more than thirty years to amortize its unfunded actuarial accrued pension liability (UAAL). If in any year the period required to amortize that UAAL exceeds thirty years, the board must prepare and submit to the ORSC and the applicable committees in the Ohio General Assembly, a plan to reduce that amortization period to not more than thirty

years. Based on their most recent reporting years reflected in the following table under **Pension Benefits**, all of the retirement systems meet the 30-year funding requirement, with the number of years to fully amortize UAAL at nineteen years for PERS, twenty-seven years for SERS, twenty-eight years for STRS, and thirty years for OP&F and HPRS. Prior to the 2012 pension reform acts described below, the board of each of the five retirement systems had approved and submitted to the ORSC and the applicable Ohio General Assembly committees a plan to reduce or maintain its amortization period at not more than thirty years. Pursuant to this continuing requirement, the OP&F board increased (effective January 1, 2014) contributions to its pension fund by reducing from 2.85% to 0.5% the amount of employer contributions directed to health care and redirecting the 2.35% difference to pensions, and the STRS board increased (effective July 1, 2014) contributions to its pension fund by redirecting to pensions the 1.0% of employer contributions previously directed to healthcare. The HPRS board also increased (effective January 1, 2015) contributions to its pension fund by reducing from 4.30% to 4.0% the amount of employer contributions directed to health care and redirecting the 0.3% difference to pensions.

After extensive review, the General Assembly in September 2012 enacted, and the Governor signed into law effective January 7, 2013, five pension reform acts to implement with modifications plans previously submitted by the five retirement systems to reduce or maintain their UAAL periods to or at not more than thirty years. The reform act for PERS made changes including, among others, increasing the years of service and eligibility age necessary to retire with full benefits, increasing from three to five the number of years used in determining "final average salary" for purposes of calculating retirement benefits, reducing the post-retirement cost of living adjustment, and increasing the minimum salary threshold required to earn full-time service credit for public employee eligibility to participate in the system. The other reform acts made similar changes to STRS, SERS, OP&F and HPRS, and enacted phased increases in the employee contribution rate for STRS (from 10% to a maximum of 14% by July 2016) and OP&F (from 10% to a maximum of 12.25% in July 2015). The HPRS board was authorized to increase employee contributions up to a maximum of 14% from 10% beginning in July 2013, and it has implemented this authorization by increasing the employee contribution rate to 11.5% for 2014 and to 12.5% for 2015 and thereafter. With the exception of PERS, the reform acts also authorize each retirement system's board to adjust certain pension benefits levels within limits without General Assembly approval. As reflected above, these reform acts did not change the requirement that each system establish a period of not more than thirty years to amortize its pension UAAL and prepare and submit to the ORSC and the Ohio General Assembly a plan to reduce that amortization period if it exceeds thirty years.

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Retirement Contributions

The State makes its employer contributions based on a percent of salary for each State employee that is an active member of a state retirement system. Currently, nearly 96% of State employees are members of PERS, about 3.1% are in HPRS and about 1.3% are in STRS. The following table summarizes State employer and employee contributions to those retirement systems with State employee members ($ in millions):

State Fiscal Year	PERS Employer/Employee Amount	PERS Employer/Employee Pct. of Salary(a)	STRS Employer/Employee Amount	STRS Employer/Employee Pct. of Salary	HPRS Employer/Employee Amount	HPRS Employer/Employee Pct. of Salary	Total Contributions
2011(b)	$414.4/$289.0	14.0%/10.0%	$7.2/$5.1	14.0%/10.0%	$25.2/$9.5	26.5%/10.0%	$750.3
2012(c)	392.3/273.8	14.0/10.0	6.6/4.7	14.0/10.0	25.0/9.4	26.5/10.0	711.8
2013(c)	385.8/269.1	14.0/10.0	6.2/4.4	14.0/10.0	26.1/9.8	26.5/10.0	701.3
2014	384.9/268.8	14.0/10.0	5.9/4.6	14.0/11.0	26.5/10.7	26.5/11.5	701.4
2015	383.7/266.8	14.0/10.0	5.8/4.9	14.0/12.0	26.7/12.0	26.5/12.5	699.9
2016	395.9/278.4	14.0/10.0	5.7/4.8	14.0/13.0	27.2/12.8	26.5/12.5	724.8

(a) Reflects PERS state and local contribution rates only. PERS law enforcement employer/employee contribution rate was 18.1%/11.6% in Fiscal Year 2011, increasing in increment to 18.1%/13.0% in Fiscal Year 2014, and public safety was 18.1%/11.0% in Fiscal Year 2011, increasing in increment to 18.1%/12.0% in Fiscal Year 2013.

(b) Fiscal Year 2011 contributions include 27 pay periods.

(c) Declines in contributions for Fiscal Years 2012 and 2013 due to a reduction in the State workforce over this period.

Source: Contributions based on percent of payroll expenses from State of Ohio accounting system records.

The State also has funded and continues to fund a subsidy to the OP&F system to pay for survivor benefits provided in law and not otherwise funded. The aggregate subsidies were $41.1 million in the 2012-13 biennium and $40.9 million in the 2014-15 biennium, and are appropriated at $40.9 million in the 2016-17 biennium. All State employer contributions are subject to appropriation in each State budget and are included in the appropriations for each department or agency's personnel costs.

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Pension Benefits

The following table summarizes State and local membership and financial data for each of the retirement systems for the most recent year reported by the particular system ($ in millions):

	PERS	STRS	SERS(a)	OP&F(b)	HPRS
Valuation as of:	12/31/15	07/01/15	06/30/15	01/01/15	12/31/15
Active Members	329,009	164,925	122,855	27,602	1,621
Retirees and Beneficiaries	211,116	158,116	74,372	27,963	1,548
Employer/Employee Contributions (% of Salary) (c)	14.0/10.0(d)	14.0/13.0	14.0/10.0	(e)	26.5/12.5
Active Member Payroll	$13,177.0	$10,948.6	$2,845.4	$1,986.6	$100.0
Market Value of Assets (MVA)	$74,560.0	$70,432.6	$12,797.2	$13,453.4	$704.2
Actuarial Value of Assets (AVA) (f)	$78,061.0	$68,656.0	$12,467.0	$13,029.3	$739.8
Actuarial Accrued Liability (AAL) (g)	$91,832.0	$99,014.7	$18,122.0	$18,395.6	$1,079.0
Funding Ratio (AVA to AAL %, (MVA to AAL %))	85.0 (81.2)	69.3 (71.1)	68.8 (70.6)	70.8 (73.1)	68.6 (65.3)
Unfunded Actuarial Accrued Liability (UAAL)	$13,771.0	$30,358.7	5,655.0	$5,366.3	$339.1
UAAL to Active Member Payroll %	104.5	277.3	198.7	270.1	339.2
UAAL Funding Period (years) (h)	19	28	27	30	30

(a) SERS information excludes Medicare Part B reimbursement which is considered a post-employment healthcare benefit reported in accordance with GASB Statement 43 for all data except MVA.

(b) Effective with the January 1, 2015 valuation, OP&F deferred retirement option plan balances are included in MVA, AVA, and AAL.

(c) For PERS and SERS, the maximum employer and employee contribution rates under law are 14.0% and 10.0%. For STRS and HPRS, the maximum employer and employee contributions rates are 14.0/14.0% and 26.5/14.0%, respectively. Each system's board annually determines the portion of the employer contribution, if any, that is directed to fund post-employment health care benefits.

(d) PERS state employer/employee contribution rate is 14.0/10.0%, local is 14.0/10.0%, law enforcement is 18.1/13.0%, and public safety is 18.1/12.0%. PERS state and local employer and employee contribution rates increased to their current statutory maximum of 14.0% and 10.0%, respectively, in calendar year 2008.

(e) Police is 19.5/11.88% and fire 24.0/11.88%. The employee rate of 11.88% is a blend of 11.50% from January 1 to July 1 and 12.25% from July 2 to December 31. OP&F employer and employee contribution rates increased to their current statutory maximum of 19.5/12.25% for police and 24.0/12.25% for fire.

(f) Recognizes assumed long-term investment returns fully each year (8.25% for OP&F, 8.00% for PERS, and 7.75% for STRS, SERS and HPRS). Differences between actual and assumed investment returns, subject to each system's market corridor limitation, are phased-in over a closed four-year period.

(g) Reflects an individual entry age normal actuarial cost method.

(h) UAAL funding period is calculated based on a closed period as a level percent of payroll, except for the portion of PERS members who participate in the member directed plan which uses a closed period as a level dollar of payroll.

Note: Valuation results reflect all legislative changes described above enacted in September 2012.

Sources: Retirement systems' CAFRs and annual actuarial valuations.

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The following table summarizes financial and funding information for each of the retirement systems for the five years previous to the current year information provided above as reported by the particular system ($ in millions):

Retirement System Valuation Year-End	Actuarial Value of Assets (AVA)(a)	Actuarial Accrued Liability (AAL)(b)	Unfunded Actuarial Accrued Liability (UAAL)(c)	Funding Ratio (AVA to AAL)	Market Value of Assets (MVA)	Funding Ratio (MVA to AAL)	Active Member Payroll	UAAL Percent of Active Member Payroll
PERS								
12/31/14	$74,865.0	$89,285.0	$14,420.0	83.8%	$77,263.2	86.5%	$12,932.5	111.5%
12/31/13	$71,411.2	$86,644.6	$15,233.4	82.4%	$74,866.6	86.4%	$12,331.0	123.5%
12/31/12	$67,854.8	$83,878.1	$16,023.3	80.9%	$67,854.9	80.9%	$12,194.0	131.4%
12/31/11	$65,436.1	$84,529.7	$19,093.6	77.4%	$61,846.7	73.2%	$12,399.0	154.0%
12/31/10	$63,649.1	$80,485.0	$16,835.9	79.1%	$63,649.1	79.1%	$12,449.0	135.2%
STRS								
07/01/14	$66,657.2	$96,167.1	$29,509.9	69.3%	$70,988.7	73.8%	$10,725.3	275.1%
07/01/13	$62,590.8	$94,366.7	$31,775.9	66.3%	$64,706.0	68.6%	$10,765.6	295.2%
07/01/12	$59,489.5	$106,301.8	$46,812.3	56.0%	$60,693.6	57.1%	$10,879.1	430.3%
07/01/11	$58,110.5	$98,766.2	$40,655.7	58.8%	$63,116.7	63.9%	$11,097.6	366.3%
07/01/10	$55,946.3	$94,720.7	$38,774.4	59.1%	$54,140.4	57.2%	$11,057.3	350.7%
SERS(d)								
06/30/14	$11,903.0	$17,492.0	$5,589.0	68.0%	$12,820.9	73.3%	$2,759.3	202.6%
06/30/13	$11,007.0	$16,860.0	$5,853.0	65.3%	$11,300.5	67.0%	$2,746.8	213.1%
06/30/12	$10,284.0	$16,372.0	$6,088.0	62.8%	$10,331.7	63.1%	$2,788.2	218.3%
06/30/11	$10,397.0	$15,943.0	$5,546.0	65.2%	$10,619.2	66.6%	$2,852.4	194.4%
06/30/10	$10,787.0	$14,855.0	$4,068.0	72.6%	$9,071.9	61.1%	$2,842.7	143.1%
OP&F								
01/01/14	$11,063.2	$16,577.8	$5,514.6	66.7%	$11,920.5	71.9%	$1,942.3	283.9%
01/01/13	$10,278.0	$16,007.9	$5,729.9	64.2%	$10,602.8	66.2%	$1,913.4	299.5%
01/01/12	$10,309.0	$16,346.7	$6,037.7	63.1%	$9,688.4	59.3%	$1,897.4	318.2%
01/01/11	$10,681.0	$15,384.4	$4,703.4	69.4%	$10,075.5	65.5%	$1,868.5	251.7%
01/01/10	$10,794.1	$14,830.7	$4,036.7	72.8%	$9,056.8	61.1%	$1,895.2	213.0%
HPRS								
12/31/14	$712.3	$1,012.8	$300.5	70.3%	$740.7	73.1%	$99.2	302.9%
12/31/13	$690.6	$989.1	$298.5	69.8%	$729.0	73.7%	$98.5	303.0%
12/31/12	$658.4	$966.3	$307.9	68.1%	$642.6	66.5%	$98.1	313.8%
12/31/11	$623.4	$1,047.7	$424.3	59.5%	$603.4	57.6%	$93.1	455.7%
12/31/10	$631.0	$1,017.8	$386.8	62.0%	$647.1	63.6%	$94.8	408.2%

(a) Recognizes assumed long-term investment returns fully each year (8.25% for OP&F, 7.75% for SERS, and 8.0% for the remaining systems). Differences between actual and assumed investment returns, subject to each system's market corridor limitation, are phased-in over a closed four-year period, except for OP&F in 2010-2012 which phases-in over five-year period.

(b) Reflects an individual entry age actuarial cost method.

(c) UAAL is calculated based on an open period as a level percent of payroll, except for PERS in 2012-2014, HPRS in 2012-2013, and SERS for which UAAL is calculated based on a closed period of time and the portion of PERS members who participate in the member directed plan which uses a level dollar of payroll.

(d) Excludes Medicare Part B reimbursement which is considered a post-employment health care benefit reported in accordance with GASB 43 for all data except MVA.

Sources: Retirement systems' CAFR's and annual actuarial valuations.

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GASB Statements No. 67 & 68. GASB Statement No. 67 replaced prior accounting standards for reporting pension plan information beginning in Fiscal Year 2014. Under this new accounting standard, the reporting of unfunded actuarial accrued liability (UAAL) has been replaced by the net pension liability (NPL). The NPL represents the excess of the total pension liability over fiduciary net position. The components of the NPL and the sensitivity of the NPL to changes in the single discount rate for each of the retirement systems for the most recent year are as follows ($ in millions):

	PERS	STRS	SERS	OP&F	HPRS
Valuation as of:	**12/31/15**	**07/01/15**	**06/30/15**	**01/01/15**	**12/31/15(c)**
Total Pension Liability (a)	$91,822.0	$99,014.7	$18,503.3	$19,357.0	$1,111.1
Fiduciary Net Position (b)	$74,550.0	$71,377.6	$12,797.2	$12,923.9	$704.2
Net Pension Liability (NPL)	$17,272.0	$27,637.1	$5,706.1	$6,433.1	$406.8
Fiduciary Net Position as a Percentage of Total Pension Liability	81.2%	72.1%	69.2%	66.8%	63.4%
NPL Calculated With 1% Decrease in Discount Rate	$27,596.0	$38,390.0	$7,912.3	$8,484.4	$530.7
NPL Calculated With 1% Increase in Discount Rate	$8,567.0	$18,543.9	$3,848.3	$4,695.4	$304.2

(a) Reflects a single discount rate of 8.0% for PERS and 7.75% for STRS, SERS and HPRS, and 8.25% for OP&F. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions are made at the actuarially determined rates under State law. Based on those assumptions, the fiduciary net position was projected to be available to make all projected future benefit payments. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of project benefit payments to determine total pension liability. Also reflects an individual entry age actuarial cost method.
(b) Based on the market value of assets.
(c) Total pension liability was determined by an actuarial valuation as of 12/31/14, and updated with roll-forward procedures to 12/31/15.
Sources: Retirement systems' CAFRs and annual actuarial valuations.

GASB Statement No. 68 replaced prior accounting standards for state and local governments reporting of pension plan information beginning in Fiscal Year 2015. This new accounting standard requires employers and non-employer contributing entities to report a proportionate share of their NPL in their financial statements. Employers determine their proportionate share of NPL by comparing their current year contributions to the plan to current year contributions to the plan made by all employers and non-employer entities, based on information provided to them by their retirement system(s). The State's proportionate share of the NPL and the sensitivity of the NPL to changes in the single discount rate for PERS, STRS and HPRS for the most recent year are as follows ($ in millions):

	PERS(a)	STRS	HPRS
Valuation as of:	**12/31/14**	**07/01/14**	**12/31/15(d)**
Total Pension Liability (b)	$89,277.0	$96,167.1	$1,111.1
Fiduciary Net Position (c)	$77,254.0	$71,843.6	$704.2
Net Pension Liability (NPL)	$12,023.0	$24,323.5	$406.8
State Proportionate Share of Net Pension Liability (PSL)	$2,496.4	$99.4	$406.8
PSL as a Percentage of NPL	**20.7%**	**0.4%**	**100.0%**
PSL Calculated With 1% Decrease in Discount Rate	$4,592.7	$142.3	$530.7
PSL Calculated With 1% Increase in Discount Rate	$730.8	$63.1	$304.2

(a) For PERS, figures reflect the traditional plan and the defined benefit portion of the combined plan as presented in the State's CAFR. Figures exclude PSL for the Ohio Facilities Construction Commission of $5.1 million in the traditional plan and an asset of $25.0 thousand in the combined plan.
(b) Reflects a single discount rate of 8.0% for PERS and 7.75% for STRS and HPRS.
(c) Based on the market value of assets.
(d) Total pension liability was determined by an actuarial valuation as of 12/31/14, and updated with roll-forward procedures to 12/31/15.
Sources: State of Ohio Fiscal Year 2015 CAFR, Retirement systems' CAFRs and annual actuarial valuations.

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Other Post-Employment Benefits

Each of the State's public retirement systems also offers post-employment health care benefits to its members. Contributions to and benefits under these health care programs are not vested and, as reflected by the recent actions of the OP&F and STRS boards described above, are subject to future adjustment by their respective boards. In this regard, PERS adopted, beginning in 2004, a series of health care preservation plans to adjust benefits and contributions by employers, employees, and retirees. Financial reporting of their health care plans is in compliance with GASB Statement 43 -- Financial Reporting for Post-Employment Benefit Plans Other than Pension Plans.

The following table presents a summary of assets and actuarial accrued liabilities for post-employment healthcare benefits for each of the State's public retirement systems ($ in millions):

	PERS	STRS	SERS	OP&F	HPRS
Valuation as of:	12/31/14	01/01/16	06/30/15	01/01/15	12/31/15
Value of Assets (a)	$12,062.4	$3,258.2	$408.4	$1,031.9	$106.6
Actuarial Accrued Liability (AAL) (b)	$19,404.9	5,154.2	$2,424.5	$5,399.6	$412.4
Unfunded Actuarial Accrued Liability (UAAL) (c)	$7,342.5	1,896.0	$2,016.2	$4,367.6	$305.8
Funding Ratio (Assets to AAL %)	62.2%	63.2%	16.8%	19.1%	25.8%
Employer Contribution (% of Salary) (d)	2.0%	0.0%	0.82%(e)	0.50%	4.0%

(a) For PERS and HPRS, investment returns are recognized fully each year with the differences between actual and assumed investment returns (assumed at 5%), subject to each system's market corridor limitation, phased-in over a closed four-year period. For STRS, SERS and OP&F, reflects market value.

(b) Reflects an individual entry age normal actuarial cost method.

(c) UAAL is calculated based on an open period as a level percent of payroll.

(d) Each system's board annually determines the portion of the employer contribution, if any, that is directed to fund post-employment health care benefits. This amount has typically ranged from 1.0% to 7.0% of salary. See discussion above for recent adjustments by OP&F, STRS and HPRS boards to employer contribution directed to fund health care benefits.

(e) SERS also collects a health care surcharge from employers for employees who earn less than an actuarially determined minimum compensation amount. This amount is in addition to the amount allocated to health care from the employer contributions.

Sources: Retirement systems' annual actuarial valuations.

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The following table presents a summary of assets and actuarial accrued liabilities for post-employment healthcare benefits for the four years previous to the current year information provided above for each of the State's public retirement systems ($ in millions):

Retirement System Valuation Year-End	Value of Assets(a)	Actuarial Accrued Liability (AAL)(b)	Unfunded Actuarial Accrued Liability(c)	Funding Ratio (Assets to AAL)	Employer Contribution (% of Salary)(d)(e)
PERS					
12/31/13	$12,031.4	$19,784.1	$7,752.7	60.8%	1.0%
12/31/12	$12,193.3	$19,182.3	$6,989.0	63.6%	4.0%
12/31/11	$12,115.3	$31,020.2	$18,904.9	39.1%	4.0%
12/31/10	$12,320.0	$30,531.0	$18,211.0	40.4%	5.1%
STRS					
01/01/15	$3,454.4	$4,676.2	$1,221.9	73.9%	0.0%
01/01/14	$3,471.9	$4,664.4	$1,192.6	74.4%	1.0%
01/01/13	$3,121.6	$4,254.1	$1,132.5	73.4%	1.0%
01/01/12	$2,968.2	$5,094.4	$2,126.3	58.3%	1.0%
SERS					
06/30/14	$413.9	$2,475.6	$2,061.8	16.7%	0.14%
06/30/13	$379.2	$2,918.3	$2,539.1	13.0%	0.16%
06/30/12	$355.1	$2,691.5	$2,336.4	13.2%	0.55%
06/30/11	$355.7	$2,410.1	$2,054.4	14.8%	1.43%
OP&F					
01/01/14	$1,053.5	$5,244.6	$4,191.0	20.1%	0.50%
01/01/13	$935.6	$4,234.8	$3,299.2	22.1%	3.62%
01/01/12	$780.1	$3,698.8	$2,918.6	21.1%	6.75%
01/01/11	$717.7	$3,295.3	$2,577.6	21.8%	6.75%
HPRS					
12/31/14	$103.8	$376.7	$272.9	27.6%	4.30%
12/31/13	$102.1	$438.6	$336.5	23.3%	3.65%
12/31/12	$99.8	$411.5	$311.7	24.3%	1.75%
12/31/11	$99.0	$424.1	$325.1	23.3%	1.75%

(a) For PERS & HPRS, recognizes investment returns fully each year (PERS assumed at 6.5% in 2010 and 5.0% in 2011-2013 and HPRS assumed at 5.0%) with the differences between actual and assumed investment returns, subject to each system's market corridor limitation, phased-in over a closed four-year period. For STRS, SERS and OP&F, reflects market value.

(b) Reflects an individual entry age normal actuarial cost method.

(c) UAAL is calculated based on an open period as a level percent of payroll.

(d) Each system's board annually determines the portion of the employer contribution, if any, that is directed to fund post-employment health care benefits. This amount has typically ranged from 1.0% to 7.0% of salary. For PERS, reflects overall effective rate.

(e) SERS also collects a health care surcharge from employers for employees who earn less than an actuarially determined minimum compensation amount. This amount is in addition to the amount allocated to health care from the employer contributions.

Sources: Retirement systems' annual actuarial valuations.

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TAX LEVELS AND TAX BASES

The variety of taxes and excises levied by the State is indicated in several tables in this Appendix. According to the Federation of Tax Administrators, citing the U.S. Census Bureau as its source, the State ranked 33rd in state taxes per capita in 2013. Three major tax bases in the State, personal income (taxed by the State and municipalities and, with voter approval, by certain school districts), retail sales and use (taxed by the State and counties and transit authorities), and real and tangible personal property (taxed by local governments), are described below. In addition, the State completed the phase-in over fiscal years 2006 through 2010 of its commercial activity tax (CAT) on taxable gross receipts in excess of $1,000,000 from doing business in Ohio, and the phase out over the same general period of its corporate franchise tax (except for application to financial institutions and certain affiliates of insurance companies and financial institutions which was eliminated and replaced with a new financial institutions tax effective tax year 2014). The initial rate for the CAT was 0.06% effective July 1, 2005, with that rate increased annually in approximately equal amounts (about 0.05%) until levied at the current rate of 0.26%. Beginning calendar year 2014, the State established a variable minimum tax on the CAT for businesses with taxable gross receipts greater than $1 million (see **FISCAL MATTERS – Recent and Current Finances – Recent Biennia – 2014-15**). As described further below, the receipts from the CAT are directed in part to make compensating payments to school districts and other local taxing units in connection with the phase-out of the tangible personal property tax in 2006 through 2009. Beginning in Fiscal Year 2012, the State accelerated the phase-out of compensating payments to school districts and local governments resulting in an increased share of the CAT being deposited into the GRF (see **Property Tax** below and **FISCAL MATTERS – Recent and Current Finances – Recent Biennia – 2014-15** and **Current Biennium).**

The State also imposes a tax on the use, distribution, or sale of motor vehicle fuel. This "gasoline" tax was raised two-cents per gallon effective July 1, 2005 to 28 cents per gallon (one cent of this tax is specifically directed to local highway-related infrastructure projects).

Sales and Use Tax

The State sales and use tax rate was increased one-quarter percent from 5.5% to 5.75% beginning September 1, 2013 (see **FISCAL MATTERS – Recent and Current Finances – Recent Biennia – 2014-15**). Prior to this increase, the rate had been 5.5% since July 1, 2005. The sales and use tax is levied uniformly across counties on retail sales of tangible personal property that are not specifically exempt. Retail sales include the rental and storage of tangible personal property, the rental of hotel rooms, and certain specified services including, but not limited to, repair and installation services, data processing, computer, and electronic information services, telecommunication and certain personal care services.

Counties and transit authorities each are authorized to levy permissive sales and use taxes at rates of 0.25% to 1.5% in quarter-percent increments. The highest potential aggregate of State and permissive local sales taxes is 8.75% and the highest currently levied in any county is 8%. The State collects the combined state and local tax and returns the local share directly to the counties and transit authorities.

Personal Income Tax

Under the State's current biennial appropriations Act and other recent legislation, State personal income tax rates, applying generally to federal adjusted gross income, were reduced by 8.5% in calendar year 2013, 1.5% in calendar year 2014, and 6.3% in calendar year 2015 (see **FISCAL MATTERS – Recent and Current Finances – Recent Biennia - 2014-15** and **Current Biennium**). The indexing of the State income tax brackets and the personal exemption are suspended while these rate reductions are implemented. Recent legislation also established a deduction for pass-through entities and sole proprietorships annual business net income of 75% in tax years 2014 and 2015, and 100% in tax year 2016 and beyond, up to $250,000 (see **FISCAL MATTERS – Recent and Current Finances – Recent Biennia – 2014-15** and **Current Biennium)**. The 2015 personal income tax rates ranged from 0.495% on incomes of $5,200 or less with increasing bracketed base rates and percentages up to a maximum on incomes over $208,500 of $7,992 plus 4.997% on the amount over $208,500. Previously, personal income tax rates were reduced 4.2% annually in each of the years 2005 through 2008 and, after the postponement discussed under **FISCAL MATTERS – Recent and Current Finances – Recent Biennia - 2010-11**, again in 2011, resulting in an aggregate 21% decrease through 2011 from the 2004 rates.

The Constitution requires 50% of State income tax receipts to be returned to the political subdivisions or school districts in which those receipts originate. There is no present constitutional limit on income tax rates.

Municipalities and school districts, and joint economic development districts and zones, may also levy certain income taxes. Any municipal rate (applying generally to wages and salaries and business net income) over 1%, and any school district income tax (applying generally to the State income tax base for individuals and estates), requires voter approval. Most cities and villages levy a municipal income tax. The highest municipal rate in 2011 was 3%. A school district income tax is currently approved in 184 districts. Each joint economic development district or zone may also levy an income tax (which like municipal income taxes applies generally to wages and salaries and business net income) with the rate of that tax limited to the highest income tax rate of a municipal member of the district or zone). Effective July 1, 2005, there may also be proposed for voter approval municipal income taxes to be shared with school districts, but those taxes may not be levied on the income of nonresidents.

Since 1970 the ratio of Ohio to U.S. aggregate personal income has declined, with Ohio's ranking among the states moving from fifth in 1970 to seventh in 1990, moving between seventh and eighth in 1994 through 2003, and eighth since 2004. This movement, portrayed below, in significant measure reflects "catching up" by several other states and a trend in Ohio toward more service sector employment.

Personal Income ($ in Billions)

		U.S.	Ohio	Ohio Percent of U.S.	State Rank*
1970	Total	$855.1	$44.1	5.2%	5
	per capita	4,196	4,136	98.6	18
1980	Total	2,307.0	107.0	4.6	6
	per capita	10,153	9,909	97.6	25
1990	Total	4,890.5	202.8	4.1	7
	per capita	19,591	18,669	95.3	21
2000	Total	8,634.9	325.4	3.8	8
	per capita	30,602	28,631	93.6	27
2010	Total	12,459.6	419.8	3.4	8
	per capita	40,277	36,377	90.3	32
2012	Total	13,904.5	489.4	3.5	8
	per capita	44,266	40,329	91.1	30
2013	Total	14,064.5	471.6	3.4	8
	per capita	44,438	40,749	91.7	30
2014	Total	14,683.2	489.7	3.3	8
	per capita	46,049	42,236	91.7	29
2015(p)	Total	15,324.1	504.9	3.3	8
	per capita	47,669	43,478	91.2	29

Source: U.S. Department of Commerce, Bureau of Economic Analysis.
* Excludes District of Columbia.
(p) Preliminary data

In addition to personal income, the retail sales base is an important indicator of sales and use tax receipts.

Retail Sales ($ in Billions)

Fiscal Year	Ohio Retail Sales	U.S. Retail Sales	Ohio Percent of U.S.
1980	$39.01	$979.25	4.0%
1990	66.95	1,914.04	3.5
2000	117.72	3,213.82	3.6
2010	132.53	4,171.40	3.2
2011	142.81	4,440.32	3.2
2012	153.44	4,719.87	3.3
2013	159.93	4,912.64	3.3
2014	165.97	5,092.77	3.3
2015	169.49	5,270.78	3.2
2016	171.58	5,397.68	3.2

Source: Calculated by Global Insight based on data from the U.S. Department of Commerce, Bureau of the Census.

Property Tax

The following table lists, for informational purposes only, the non-exempt real and tangible personal property tax base in the State and taxes levied on that base (on a calendar year basis). Only local taxing subdivisions, and not the State, currently tax the real and tangible personal property included in this table. Reported figures for 2015 show that these property taxes represent 3.33% of Ohio personal income.

		Assessed Value (a)	Percent of True Value (b)	Taxes Charged
1980	Real(c)	$56,457,842,607	27.1%	$2,343,384,488(e)
	Tangible(d)	15,649,200,844	39.2	765,047,826
	Public Utility(c)	8,670,052,613	83.3	411,321,235
1990	Real	93,857,482,000	35.0	4,593,147,000(e)
	Tangible(d)	18,473,055,000	28.0	1,149,643,000
	Public Utility(c)(f)	12,934,191,000	88.6	799,396,000
2000	Real	167,857,657,350	35.0	8,697,809,112(e)
	Tangible(d)	23,298,302,564	25.0	1,720,740,378
	Public Utility(c)(f)	13,635,709,860	67.0	967,674,709
2010	Real	238,264,394,249	35.0	14,486,087,962(e)
	Tangible(d)	320,961,400	5.0(b)	18,432,832
	Public Utility(c)(f)	10,096,712,600(g)	52.9	747,237,219
2011	Real	231,189,983,505	35.0	14,602,588,295(e)
	Tangible(d)	-0-	-0-(b)	-0-
	Public Utility(c)(f)	10,526,028,040(g)	51.0	804,746,979
2012	Real	225,314,466,955	35.0	14,767,601,611(e)
	Tangible(d)	-0-	-0-(b)	-0-
	Public Utility(c)(f)(h)	11,105,363,530(g)	52.4	872,521,025
2013	Real	226,356,619,274	35.0	15,138,100,663(e)
	Tangible(d)	-0-	-0-(b)	-0-
	Public Utility(c)(f)(h)	11,899,256,920 (g)	53.1	948,094,817
2014	Real	230,378,310,115	35.0	15,465,341,626(e)
	Tangible(d)	-0-	-0-(b)	-0-
	Public Utility(c)(f)	12,880,528,010 (g)	55.3	1,045,187,750
2015	Real	234,225,079,130	35.0	15,676,144,409(e)
	Tangible(d)	-0-	-0-(b)	-0-
	Public Utility(c)(f)	14,111,055,940 (g)	52.9	1,120,681,300

(a) Increases in assessed value of "Real" are in part products of reappraisals.
(b) Regular annual reductions for "Tangible" (except for most public utility tangible) reached 0% in 2009; only telecommunication and telephone personal property was taxable in 2009 and 2010.
(c) Includes public utility personal property owned and located within Ohio and railroad real property; excludes public utility real property.
(d) Includes machinery, inventories, fixtures; effective tax year 2007 includes telephone company property. Excludes public utility tangible property. Effective tax year 2009 includes only telephone company property.
(e) Includes the statutory 10% rollback (12.5% for owner-occupied residences) and elderly/handicapped partial exemption amounts, paid by the State to local taxing entities to compensate for statutory reductions in local tax collections. Effective for tax year 2005 and thereafter, the 10% rollback was eliminated for real property used in business, with exceptions for certain property used in farming or for housing. The 12.5% rollback for owner-occupied residences was eliminated for new voter-approved tax levies (see **FISCAL MATTERS – Recent and Current Finances – Current Biennium**).
(f) Beginning in 1990, the true value of most public utility property is based on annual composite allowances that vary according to the type and age of property.
(g) Beginning in 2001, the statutory assessment rate for electric and gas utilities decreased from 88% to 25%.
(h) Calculated using 2011 assessment rates on the breakdown of electrical property.
Source: Ohio Department of Taxation.

Under State legislation effective July 1, 2005 and as reflected in the above table, the tangible personal property tax (TPPT) (including that tax on inventories) was phased out over tax years 2006 through 2009, with that tax generally eliminated beginning in tax year 2009. That legislation provided for the State to make replacement distributions to school districts and other local taxing units from revenue generated by the State commercial activity tax (CAT). Distributions were and are generally based on the taxable value of tangible personal property as reported in 2004 and property tax levies in effect for 2005. In Fiscal Year 2012, the State began phasing-out those TPPT replacement payments to schools and local governments with replacement payments to schools reduced by two percent of each district's total resources in each of Fiscal Years 2012 and 2013 for a total reduction of four percent; and replacement payments to local governments reduced by two percent of total resources for tax years 2011, 2012, and 2013 for a total reduction of six percent. Replacement payments were then frozen in Fiscal Years 2014 and 2015. The phasing out of these replacement payments resumed beginning in Fiscal Year 2016, with payments to school districts to be reduced in Fiscal Years 2016

and 2017 by between 1% and 2% of each district's total resources with the variance based on district wealth levels, with guarantees in both Fiscal Year 2016 and Fiscal Year 2017 that no district will fall below 100% and 96%, respectively, of its Fiscal Year 2015 total funding level. Fiscal Year 2016 and thereafter replacement payments to other local governments are reduced annually by two percent of their total resources (see **FISCAL MATTERS – Recent and Current Finances – Current Biennium**).

Beginning July 2007, the State's homestead exemption program, which takes the form of a credit on local residential real property tax bills, was expanded to allow all senior citizens and disabled Ohioans, regardless of income, to exempt from tax the first $25,000 of the market value of their home. Previously eligibility was restricted and benefits were tiered based on income. Beginning July 1, 2013, eligibility for new applicants is based on income (see **FISCAL MATTERS – Recent and Current Finances - Recent Biennia – 2014-15)**. The total cost of the homestead exemption program in Fiscal Year 2015 was $467.4 million and in Fiscal Year 2016 was $454.1 million.

Property tax relief payments by the State to local subdivisions totaled $3.41 billion for the 2012-13 biennium, $3.59 billion for the 2014-15 biennium, and are appropriated at $3.72 billion for the 2016-17 biennium.

SCHOOLS AND MUNICIPALITIES

Schools

Litigation was commenced in the Ohio courts in 1991 questioning the constitutionality of Ohio's system of school funding and compliance with the constitutional requirement that the State provide a "thorough and efficient system of common schools". On December 11, 2002, the Ohio Supreme Court, in a 4-3 decision on a motion to reconsider its own decision rendered in September 2001, concluded (as it had in its 1997 and 2000 opinions in that litigation) that the State did not comply with that requirement, even after again noting and crediting significant State steps in preceding years.

In its prior decisions, the Ohio Supreme Court stated as general base threshold requirements that every school district have enough funds to operate, an ample number of teachers, sound and safe buildings, and equipment sufficient for all students to be afforded an educational opportunity. With particular respect to funding sources, the Court concluded in 1997 and 2000 decisions that property taxes no longer may be the primary means of school funding in Ohio.

On March 4, 2003, the plaintiffs filed with the original trial court a motion to schedule and conduct a conference to address compliance with the orders of the court in that case, the State petitioned the Ohio Supreme Court to issue a writ prohibiting that conference on compliance, and the trial court subsequently petitioned the Ohio Supreme Court for guidance as to the proper course to follow. On May 16, 2003, the Ohio Supreme Court granted that writ and ordered the dismissal of the motion before the trial court. On October 20, 2003 the United States Supreme Court declined to accept the plaintiffs' subsequent petition requesting further review of the case.

In the years following this litigation, the General Assembly has taken steps, including significantly increasing State funding for public schools, as discussed below. In addition, at the November 1999 election electors approved a constitutional amendment authorizing the issuance of State general obligation debt for school buildings and for higher education facilities (see discussion under **STATE DEBT**). December 2000 legislation also addressed certain mandated programs and reserves, characterized by the plaintiffs and the Court as "unfunded mandates."

Under the financial structure in place before the 2009-10 biennium, Ohio's 613 public school districts and 49 joint vocational school districts receive a major portion (but less than 50%) of their operating moneys from State subsidy appropriations (the primary portion of which is known as the Foundation Program) distributed in accordance with statutory formulae that take into account both local needs and local taxing capacity. The Foundation Program amounts have steadily increased in most recent years, including small aggregate increases even in those Fiscal Years in which appropriations cutbacks were imposed.

School districts also rely upon receipts from locally voted taxes. In part because of provisions of some State laws, such as that partially limiting the increase (without further vote of the local electorate) in voted property tax collections that would otherwise result from increased assessed valuations, some school districts have experienced varying degrees of difficulty in meeting mandated and discretionary increased costs. Local

electorates have largely determined the total moneys available for their schools. Locally elected boards of education and their school administrators are responsible for managing school programs and budgets within statutory requirements.

The State's school subsidy formulas that were used until the 2009-10 biennium were structured to encourage both program quality and local taxing effort. Until the late 1970's, although there were some temporary school closings, most local financial difficulties that arose were successfully resolved by the local districts themselves by some combination of voter approval of additional property tax levies, adjustments in program offerings, or other measures. For more than 20 years, requirements of law and levels of State funding have sufficed to prevent school closings for financial reasons, which in any case are prohibited by current law.

To broaden the potential local tax revenue base, local school districts also may submit for voter approval income taxes on the district income of individuals and estates. Many districts have submitted the question, and income taxes are currently approved in 184 districts.

Biennial school funding State appropriations from the GRF and Lottery Profits Education Fund (but excluding federal and other special revenue funds) for recent biennia were:

- 2006-07 - $16.4 billion (a 4.5% increase over the previous biennium before the expenditure reductions discussed under **Fiscal Matters – Recent and Current Finances - Recent Biennia - 2006-07**).
- 2008-09 - $17.2 billion (a 5.1% increase over the previous biennium before the expenditure reductions discussed under **Fiscal Matters – Recent and Current Finances - Recent Biennia - 2008-09**).
- 2010-11 - $17.0 billion (a 1.6% decrease over the previous biennium. These amounts are exclusive of the $1.463 billion of appropriations to school districts for the 2010-11 biennium from "Federal Stimulus" funding received under the American Recovery and Reinvestment Act of 2009).
- 2012-13 - $16.6 billion (a 2.3% decrease over the previous biennium).
- 2014-15 - $18.3 billion (a 10.5% increase over the previous biennium)

State appropriations for school funding for the 2016-17 biennium are $20.0 billion (a 9.3% increase from those appropriations in the previous biennium), representing an increase of 4.0% in Fiscal Year 2016 over Fiscal Year 2015 and an increase of 4.1% in Fiscal Year 2017 over Fiscal Year 2016.

The amount of lottery profits transferred to the Lottery Profits Education Fund (LPEF) totaled $904.3 million in Fiscal Year 2014, $990.0 million in Fiscal Year 2015, $1.07 billion in Fiscal Year 2016 and is currently estimated to be $998.0 million in Fiscal Year 2017. Ohio participation in the multi-state lottery commenced in May 2002. A constitutional provision requires that net lottery profits be paid into LPEF be used solely for the support of elementary, secondary, vocational and special education purposes, including application to debt service on general obligation bonds to finance common school facilities. The 2010-11 biennial appropriations Act also authorized the implementation of video lottery terminals (VLTs) at Ohio seven horse racing tracks. See **FISCAL MATTERS - Recent and Current Finances – Recent Biennia - 2010-11** for discussion of litigation concluded in the Ohio Supreme Court declaring that the authorization of those VLTs is subject to voter referendum and subsequent withdrawal of that referendum by the committee for the petitioners, and for another case attempting to challenge the VLT authorization in the 2010-11 biennial appropriations Act.

The 2014-15 biennial appropriations Act enacted a new funding formula for the distribution of State funding to local school districts based on a per pupil amount. This per pupil formula is similar to the "Building Blocks" school funding formula in place through Fiscal Year 2009 until its replacement with the "Evidence Based Model" for the 2010-11 biennium. The Evidence Based Model was repealed in July 2011 and a temporary formula was put in place for the 2012-13 biennium that allocated funding to each school district based on the per pupil funding it received for Fiscal Year 2011, adjusted by its share of a statewide per pupil adjustment amount that was indexed by the district's relative tax valuation per pupil.

The current 2016-17 biennial appropriations Act modified certain components of the funding formula to distribute new resources to districts with less capacity to raise revenue through local sources. Under the modified formula, the State Department of Education will compute and pay to each school district education aid based on a per pupil funding amount of $5,900 in Fiscal Year 2016 and $6,000 in Fiscal Year 2017, multiplied by each school district's "state share index," which uses a three-year average of adjusted property valuation per pupil and the median income of that school district to calculate the percentage of the per-pupil amount that is to be paid by the State and the amount assumed to be contributed by the school district through

local sources. The 2016-17 biennial appropriations Act also supplements transportation funds for low density districts and continues to provide additional funds for students with exceptional needs, including those with special needs and the disabled, and limited English proficiency, and for economically disadvantaged and gifted students. Funding is also provided based on the number of K-3 students at each school district to be used to help school districts comply with Ohio's 3rd grade reading guarantee. The Act continues funding for the "Straight A Fund" to provide school districts with grants to develop and implement creative and innovative instructional models to inspire learning and student growth.

Legislation was enacted in 1996 to address school districts in financial straits. It is similar to that for municipal "fiscal emergencies" and "fiscal watch" discussed below under **Municipalities**, but is particularly tailored to certain school districts and their then-existing or potential fiscal problems. Newer legislation created a third, more preliminary, category of "fiscal caution". A current listing of school districts in fiscal emergency or watch status can be found on the Auditor of State's website at http://www.auditor.state.oh.us.

Municipalities

Ohio has a mixture of urban and rural population, with approximately three-quarters urban. There are 932 incorporated cities and villages (municipalities with populations under 5,000) in the State. Five cities have populations of more than 100,000 and 16 cities exceed 50,000 in population.

A 1979 act established procedures for identifying and assisting those few cities and villages experiencing defined "fiscal emergencies." A commission composed of State and local officials, and private sector members experienced in business and finance appointed by the Governor, is to monitor the fiscal affairs of a municipality facing substantial financial problems. That act requires the municipality to develop, subject to approval and monitoring by its commission, a financial plan to eliminate deficits and cure any defaults and otherwise remedy fiscal emergency conditions and to take other actions required under its financial plan. It also provides enhanced protection for the municipality's bonds and notes and, subject to the act's stated standards and controls, permits the State to purchase limited amounts of the municipality's short-term obligations (used only once, in 1980).

As noted in the discussion above under **FISCAL MATTERS – Recent and Current Finances – Recent Biennia -- 2004-05**, **-- 2008-09** and **-- 2012-13,** the amount of distributions to most local governments, including municipalities, from the several State local government revenue assistance funds have been subject to reductions and other adjustments in several of those recent biennia.

The fiscal emergency legislation has been amended to extend its potential application to counties (88 in the State) and townships. This extension is on an "if and as needed" basis and is not aimed at particularly identified existing fiscal problems of those subdivisions. A current listing of governments in each status can be found on the Auditor of State's website at http://www.auditor.state.oh.us.

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APPENDIX B

GLOSSARY AND SUMMARIES OF THE TRUST AGREEMENT AND THE LEASE

Glossary

When used in this Official Statement, the following terms shall have the meanings set forth below. The definitions set forth below are qualified in their entirety by reference to the Trust Agreement and the Lease, copies of which are available from the Treasurer and the Trustee and, during the underwriting period, the Underwriter. Use of the singular includes plural and use of the plural includes singular, where applicable.

"Act" means Chapter 154 of the Revised Code, together with the provisions of any act or resolution of the General Assembly authorizing or limiting the issuance of, or otherwise pertaining to Obligations, as the same may be amended, modified, revised, supplemented or superseded from time to time.

"Additional Bonds" means additional Obligations issued pursuant to the Trust Agreement after the first issuance of Obligations pursuant to the Trust Agreement.

"Additional Rent" means rentals paid by the DRC to the Treasurer under the Lease in amounts at least adequate to provide for the purposes of the Administrative Service Fund.

"Administrative Service Fund" means the Administrative Service Fund established by the Treasurer in the custody of the Treasurer for the payment of those administrative expenses of the Treasurer identified in the General Bond Order.

"Adult Correctional Building Fund" means the Adult Correctional Building Fund created in the State Treasury pursuant to Revised Code Section 154.24(F) in the custody of the Treasurer.

"All Sell Rate" has the meaning given to it in **APPENDIX D – ALTERNATIVE TRADING SYSTEM; BIDDING PROCEDURES**.

"Alternative Trading System" has the meaning given to it in **APPENDIX D – ALTERNATIVE TRADING SYSTEM; BIDDING PROCEDURES**.

"Alternative Trading System Mode" means the Rate Period or sequence of Rate Periods during which the Series 2016 Bonds bear interest at the Clearing Market Rate determined pursuant to the Alternative Trading System, as further defined and described within **APPENDIX D – ALTERNATIVE TRADING SYSTEM; BIDDING PROCEDURES**.

"Annual Information" means such financial information provided or caused to be provided by the Treasurer as may be required under the Rule.

"Authenticating Agent" means the Trustee and any other bank, trust company or other person designated as an Authenticating Agent for a series of Obligations by or in accordance with the Trust Agreement, which shall be a transfer agent registered in accordance with Section 17A(c) of the Securities Exchange Act of 1934, as amended.

"Authority" means the Ohio Building Authority, a body politic and corporate, duly created and previously existing under and by virtue of Chapter 152 of the Ohio Revised Code.

"Authorized Denominations" means for Series 2016 Bonds bearing interest at a Clearing Market Rate, the denomination of $100,000 or any integral multiple of $100,000 in excess of $100,000

"Authorized Officer" means any person duly authorized to perform the particular acts or sign the particular documents on behalf of the State or other indicated Person or official. In the case of the Treasurer, it means any officer or employee of the Treasurer authorized by, or pursuant to, a designation or order of the Treasurer to perform the particular act or sign the particular document, and if there is no such authorization means the Treasurer.

"Authorized Users" has the meaning given to it in **APPENDIX D – ALTERNATIVE TRADING SYSTEM; BIDDING PROCEDURES**.

"Basic Rent" means rentals paid by the DRC directly to the Treasurer under the Lease in amounts at least adequate to (i) meet the Bond Service Charges on the Obligations, and (ii) establish and maintain any Required Reserve.

"Beneficial Owner" or "beneficial owner" means the owner of a book-entry interest in a Series 2016 Bond held by a Securities Depository in book-entry form.

"Bid Process" means the process for electronic bidding, buying and selling Series 2016 Bonds through the Alternative Trading System on each Bid Process Date. (See **APPENDIX D – ALTERNATIVE TRADING SYSTEM; BIDDING PROCEDURES**)

"Bid Process Date" has the meaning given to it in **APPENDIX D – ALTERNATIVE TRADING SYSTEM; BIDDING PROCEDURES**.

"Bid To Buy Order" has the meaning given to it in **APPENDIX D – ALTERNATIVE TRADING SYSTEM; BIDDING PROCEDURES**.

"Bid To Roll Order" has the meaning given to it in **APPENDIX D – ALTERNATIVE TRADING SYSTEM; BIDDING PROCEDURES**.

"Bidder" has the meaning given to it in **APPENDIX D – ALTERNATIVE TRADING SYSTEM; BIDDING PROCEDURES**.

"Bond" or "Bonds" means any Obligation in the form of a bond, or all of the bonds, or an issue or series of bonds, of the State issued pursuant to the General Bond Order and any Series Order.

"Bondholder" or "holder" or "Holder" or "holder of Bonds," or "owner," or "Owner," any similar term means the person in whose name an Obligation is registered, or the holder or owner of Obligations as may otherwise be prescribed by a Series Order.

"Bond Proceedings" means the General Bond Order, the Trust Agreement, the applicable Series Order and Supplemental Trust Agreement, the Lease, Supplemental Lease, and any other order, resolution, agreement and lease, and amendments of and supplements to the foregoing or any combination of them, authorizing or providing for the terms and conditions applicable to, or providing for the security of, Obligations issued pursuant to the Act.

"Bond Registrar" means the Person that keeps and maintains the Register for the Obligations, which shall be the Trustee except as may otherwise be provided pursuant to the Trust Agreement or a Series Order.

"Bond Service Account" means the Bond Service Account so designated in the Bond Service Fund and created in the General Bond Order.

"Bond Service Charges" means the principal, Mandatory Sinking Fund Requirements, and interest, and redemption premium, if any, required to be paid by the State on the Obligations. In the case of payment of Bond Service Charges by a Person other than the State pursuant to a Credit Enhancement Facility, "Bond Service Charges" means the payment or reimbursement by the State to the provider of that facility of the amount so paid. In determining Bond Service Charges for a Fiscal Year or any other period, Mandatory Sinking Fund Requirements for that Fiscal Year or period shall be taken into account. With respect to Obligations in the form of notes, the amount of Bond Service Charges on those notes shall be deemed to be the Bond Service Charges for the bonds anticipated by those notes as set forth in the Bond Proceedings applicable to those notes pursuant to Section 154.12 of the Revised Code.

"Bond Service Fund" means the adult correctional facilities bond service trust fund created by the provisions of Revised Code Section 154.24(E), in the custody of the Treasurer but separate and apart from and not a part of the State Treasury, including the accounts in it provided for in the General Bond Order.

"Bond Service Reserve Account" means a Bond Service Reserve Account that may be established in a Series Order pursuant to the General Bond Order.

"book-entry form" or "book-entry system" means a form or system under which physical Obligation certificates are issued only to a Securities Depository or its nominee as owner, with the certificated Obligations held by and "immobilized" in the custody of the Securities Depository, and the book-entry system, maintained by and the responsibility of the Securities

Depository or others, is the record that identifies and records the transfer of the interests of the owners of book-entry interests in those Obligations.

"book-entry interests" means the interests of the ultimate purchasers of book-entry interests in Obligations issued in book-entry form.

"Business Day" means a day, other than a Saturday or Sunday, and other than a day on which banks located in Columbus, Ohio, and in New York, New York, are required, or authorized or not prohibited by law (including without limitation executive orders), to close and are closed.

"Capital Facilities" means any capital facilities for the DRC for the financing or refinancing of which the Treasurer is authorized to issue Obligations under the Act.

"Clearing Market Rate" has the meaning given to it in **APPENDIX D – ALTERNATIVE TRADING SYSTEM; BIDDING PROCEDURES**.

"Clearing Market Rate Period" has the meaning given to it in **APPENDIX D – ALTERNATIVE TRADING SYSTEM; BIDDING PROCEDURES**.

"Code" means the Internal Revenue Code of 1986, as amended.

"Compromised Bid Process" has the meaning given to it in **APPENDIX D – ALTERNATIVE TRADING SYSTEM; BIDDING PROCEDURES**.

"Continuing Disclosure Agreement" means the Continuing Disclosure Agreement of the Treasurer dated as of October __, 2016 relating to the Series 2016 Bonds.

"Contractual Bidder" has the meaning given to it in **APPENDIX D – ALTERNATIVE TRADING SYSTEM; BIDDING PROCEDURES**.

"Contractual Bidder Bonds" has the meaning given to it in **APPENDIX D – ALTERNATIVE TRADING SYSTEM; BIDDING PROCEDURES**.

"Costs of Capital Facilities" or "Project Costs" means costs of Capital Facilities as set forth in the Act, and the financing of those costs, for the payment of which Obligations may be issued under the Act.

"Cover" means the cover and inside cover page of this Official Statement.

"Credit Enhancement Facility" or "Credit Enhancement Facilities" means letters of credit, lines of credit, stand-by, contingent, or firm securities purchase agreements, insurance, or surety arrangements, guarantees, and other arrangements that provide for direct or contingent payment of debt charges, for security or additional security in the event of nonpayment or default in respect of securities, or for making payment of debt charges to and at the option and on demand of securities holders or at the option of the issuer or upon certain conditions occurring under put or similar arrangements, or for otherwise supporting the credit or liquidity of the securities, and includes credit, reimbursement, marketing, remarketing, indexing, carrying, interest rate hedge, and subrogation agreements, and other agreements and arrangements for payment and reimbursement of the person providing the credit enhancement facility and the security for that payment and reimbursement, or an arrangement to provide, in whole or in part, a Required Reserve.

"DAC" means Digital Assurance Certification, L.L.C.

"Director" means the Director of the State Office of Budget and Management, or the designee of that official for the purpose.

"Disclosure Dissemination Agent" means DAC.

"Disclosure Dissemination Agreement" means the Disclosure Dissemination Agent Agreement entered into by the State with DAC for the benefit of the holders of the Series 2016 Bonds to provide certain continuing disclosure in accordance with the Rule.

"DRC" means the Department of Rehabilitation and Correction of the State created by Section 121.02 of the Revised Code.

"DTC" or "Depository" means The Depository Trust Company (a limited purpose trust company), New York, New York, its successors and their assigns.

"Electronic Means" means telecopy, telegraphy, telex, facsimile, time-sharing terminal, e-mail or any electronic means of communication that produces a record and includes, without limitation, notices given through the electronic Alternative Trading System.

"Eligible Investments" means

(i) Direct obligations of the United States of America;

(ii) Obligations, whether representing principal and interest or either principal or interest, guaranteed as to payment by the United States of America or to the payment of which the faith of the United States of America is pledged;

(iii) Obligations issued by any agency or instrumentality of the United States of America which are accepted by the Rating Services for refunding purposes generally to result in the particular refunded obligations being assigned the highest rating of the particular Rating Service;

(iv) General obligations of the State or of any political subdivision of the State that are rated at one of the two highest letter ratings of a Rating Service;

(v) Certificates of deposit issued by a national bank located in the State or a bank (as defined in Section 1101.01 of the Revised Code) subject to inspection by the State Superintendent of Banks, which bank has a combined capital and surplus of at least $100,000,000 in dollars of the United States of America and is rated at least "A" (or its equivalent) by the Rating Services, provided that such certificates of deposit (a) do not exceed in the aggregate 10% of the combined capital, surplus and undivided profits of the issuing bank and (b) shall be in the possession of the Treasurer or that office's agents and shall be (A) continuously and fully insured by the Federal Deposit Insurance Corporation or its successors and (B) to the extent not so insured, continuously and fully secured by securities described in clauses (i) through (iii) above which have a market value (exclusive of any accrued interest) at all times at least equal to the principal amount of the certificates of deposit. The bank issuing a certificate of deposit required to be secured as provided in clause (B) above shall furnish the Treasurer with an undertaking that the aggregate market value of all such pledged securities securing each certificate of deposit will at all times be an amount at least equal to the principal amount of that certificate of deposit, and the Treasurer shall be entitled to rely on each such undertaking;

(vi) Repurchase agreements, for a period not to exceed 30 days, with any institution described in Section 135.143(A)(4)(a) of the Revised Code that is rated at least "A" (or its equivalent) by the Rating Services, and which agreement is fully and continuously collateralized by securities described in clauses (i) through (iii) above based on the market value of those pledged securities;

(vii) Any no front end load money market fund (including those for which the Trustee or an affiliate performs services for a fee, whether as custodian, transfer agent, investment advisor or otherwise) that is rated at least "A" (or its equivalent) by the Rating Services, consisting exclusively of obligations described in clauses (i) through (iii) above; and

(viii) The Treasurer's investment pool provided for in Section 135.45 of the Revised Code.

For purposes of clauses (v) and (vi) above the respective pledged securities are to be in the possession of the Treasurer or that officer's agent, and are to be free and clear of all liens or rights of any third party and in which securities the State is to have a first perfected security interest.

"EMMA" means the MSRB's Electronic Municipal Market Access system.

"Event of Default" means an Event of Default as described in this **APPENDIX B – GLOSSARY AND SUMMARIES OF THE TRUST AGREEMENT AND THE LEASE - Summary of the Trust Agreement – Events of Default and Remedies**.

"Existing Holder" has the meaning given to it in **APPENDIX D – ALTERNATIVE TRADING SYSTEM; BIDDING PROCEDURES**.

"Favorable Opinion of Bond Counsel" means a legal opinion of nationally recognized bond counsel that such action is authorized by the Trust Agreement and does not adversely affect the exclusion of interest on the Series 2016 Bonds from gross income for federal income tax purposes.

"Federal Securities" means: (i) direct obligations of, or obligations representing principal and interest, or principal or interest, the full and timely payment of which is guaranteed by, or to the full and timely payment of which is pledged the faith of, the United States of America; (ii) any certificates or other evidences of direct ownership interest in obligations of the character described in clause (i) or in specified portions of those obligations, including, without limitation, portions consisting solely of the principal of or solely of the interest on those obligations; or (iii) obligations of any state of the United States or any political subdivision of any state of the United States carrying the highest rating category of a Rating Agency, the full payment of principal of and interest and any premium on which are provided for by an irrevocable deposit in trust of the Federal Securities described in clause (i) or (ii), to the extent such investments are permitted by applicable law. With respect to Federal Securities described in clause (ii), the underlying obligations must be, as evidenced by a receipt held by the owner, held in safekeeping on behalf of the owner.

"Financial Institution" means any financial institution or institutions, including without limitation any insurance company, providing a Credit Enhancement Facility in connection with one or more series of Obligations outstanding.

"Fiscal Year" means a period of 12 consecutive months commencing on the first day of July of any year and ending on the last day of June of the following year, or, such other consecutive 12-month period as may by law be established as the fiscal year of the State for general fiscal purposes.

"Fitch" means Fitch Ratings.

"General Assembly" means the body in which the legislative power of the State is vested.

"General Bond Order" means the General Bond Order No. 12-12 issued by the Treasurer on May 3, 2012, as it may be amended, supplemented or superseded from time to time in accordance with the provisions of the Trust Agreement.

"General Revenue Fund" means the State's general revenue fund.

"Good Until Cancelled or GTC" has the meaning given to it in **APPENDIX D – ALTERNATIVE TRADING SYSTEM; BIDDING PROCEDURES**.

"Highest Market Bid Rate" has the meaning given to it in **APPENDIX D – ALTERNATIVE TRADING SYSTEM; BIDDING PROCEDURES**.

"Hold-Auto Order" has the meaning given to it in **APPENDIX D – ALTERNATIVE TRADING SYSTEM; BIDDING PROCEDURES**.

"Improvement Fund" means the Adult Correctional Building Fund created under Section 154.24(F) of the Revised Code.

"Initial Term" means the initial term of the Lease that commenced on May 17, 2012 and ended at twelve o' clock midnight on June 30, 2013.

"Interest Payment Date" means the date(s) on which interest on a particular Obligation is due and payable, whether at maturity, prior redemption or otherwise and, for the Series 2016 Bonds, means each April 1 and October 1, commencing April 1, 2017 while the Series 2016 Bonds are outstanding.

"Lease" means the Original Lease Agreement as amended and supplemented from time to time, including as amended and supplemented by the Series 2016C Supplemental Lease, and unless content or use clearly indicates otherwise, includes all Supplemental Leases.

"Liquidity Facility" means the Self-Liquidity Facility and any Substitute Liquidity Facility.

"Liquidity Provider" has the meaning given to it in **APPENDIX D – ALTERNATIVE TRADING SYSTEM; BIDDING PROCEDURES**.

"Liquidity Provider Bonds" means the Series 2016 Bonds purchased using the Self-Liquidity Facility, as applicable, pending their subsequent remarketing after a Purchase Date and has the meaning given to it in **APPENDIX D – ALTERNATIVE TRADING SYSTEM; BIDDING PROCEDURES**.

"mail" or "mailed" or "mailing" means sending by first-class mail, postage prepaid.

"Mandatory Redemption Obligation" or "Mandatory Redemption" or "Mandatory Sinking Fund Redemption" means mandatory prior redemption of Term Bonds pursuant to Mandatory Sinking Fund Requirements.

"Mandatory Sinking Fund Requirements" means amounts required by any Series Order to be deposited to the Bond Service Fund and credited to the Bond Service Account in any Fiscal Year for the purpose, as provided in that Series Order, of retiring, by mandatory prior redemption or other prior retirement, principal maturities of Obligations, which by the terms of the Obligations are due and payable in any subsequent Fiscal Year.

"Market Agent" means Arbor Research & Trading, LLC.

"Market Agent Agreement" shall mean the Market Agent Agreement between the Market Agent and the Treasurer, dated as of October 1, 2016, relating to the Series 2016 Bonds, as the same may be amended from time to time.

"Market Disruption Event" has the meaning given to it in **APPENDIX D – ALTERNATIVE TRADING SYSTEM; BIDDING PROCEDURES**.

"Maximum Rate" shall mean 9% per annum; provided that if 9% shall be more than the maximum interest rate permitted by law, then the "Maximum Rate" shall be the maximum rate permitted by law.

"Moody's" means Moody's Investors Service, Inc.

"MSRB" means the Municipal Securities Rulemaking Board.

"Municipal Advisor" means PFM Financial Advisors LLC.

"Obligated Person" has the meaning given to it in the Rule.

"Obligations" means Bonds, notes, or other evidences of obligation of the State, including any appertaining coupons for interest, issued pursuant to the Act and the Trust Agreement.

"Officer's Certificate" means a certificate signed by an Authorized Officer.

"OPFC" means the Ohio Public Facilities Commission, a body corporate and politic, constituting an agency and instrumentality of the State, created by Revised Code Section 151.02.

"Order" has the meaning given to it in **APPENDIX D – ALTERNATIVE TRADING SYSTEM; BIDDING PROCEDURES**.

"Original Lease Agreement" means the Lease Agreement between the OPFC and the DRC, dated as of May 1, 2012.

"Original Purchaser" as to any series of Obligations means the person or persons named in, or in a certificate authorized by, the applicable Series Order as the original purchaser of those Obligations from the State.

"Original Trust Agreement" means the Trust Agreement between the State, acting by and through the Treasurer, and the Trustee, dated as of May 1, 2012, authorized in the General Bond Order.

"Outstanding Bonds" or "Bonds outstanding" or "outstanding" as applied to particular Obligations, to Obligations of any series or to all Obligations, means, as of any date, the Obligations to which the reference applies and which have been authenticated and delivered, or are then being authenticated and delivered, by the Trustee under the Trust Agreement except:

(i) Obligations or portions of Obligations cancelled on or prior to that date, or delivered to or acquired by or on behalf of the State for cancellation on or prior to that date, by reason of payment or prior redemption;

(ii) Obligations, or the portion of Obligations, for the payment, redemption or purchase for cancellation of which sufficient moneys have been deposited prior to that date with the Trustee or Paying Agents (whether upon or prior to the maturity or redemption date of those Obligations), or which are deemed to have been paid or caused to be paid, as provided in the Trust Agreement; provided (a) that if those Obligations are to be redeemed prior to their stated maturity, notice of that redemption has been given to each holder of those Obligations or arrangements satisfactory to the Trustee have been made for giving that notice, or waiver of that notice satisfactory in form to the Trustee has been filed with the Trustee, and (b) that if those Obligations are to be purchased for cancellation, a firm offer for sale stating the price has been received and accepted; and

(iii) Lost, stolen, mutilated or destroyed Obligations in lieu of which others have been authenticated (or payment when due of which is made without replacement) under the Trust Agreement.

"Paying Agents" means the Trustee and any other banks or trust companies, and the Treasurer of State, designated as the paying agencies or places of payment for Obligations by or pursuant to the applicable Series Order, and their successors designated pursuant to the Trust Agreement.

"Percentage Rate" has the meaning given to it in **APPENDIX D – ALTERNATIVE TRADING SYSTEM; BIDDING PROCEDURES**.

"Person" means any natural person, firm, corporation, limited liability company, partnership (including, without limitation, general and limited partnerships), joint venture, society, estate, trust, public or governmental body or other entity, and any combination of those persons.

"Pledged Receipts" means:

(i) All rentals and other revenues and receipts received pursuant to the Lease, excepting only those portions to be deposited to the Administrative Service Fund as provided in the General Bond Order, and amounts necessary to pay any rebate amount or related amount computed in accordance with Section 148(f) of the Internal Revenue Code and the regulations under that Section;

(ii) All amounts standing to the credit of the Bond Service Fund including the Bond Service Reserve Account (other than sub-accounts in the Bond Service Reserve Account which are limited to a certain series of Obligations);

(iii) Any gifts, grants, donations and pledges, and receipts from those gifts, grants, donations and pledges, available for payment of Bond Service Charges, but excluding any such amounts which under restrictions imposed as a condition of their receipt are not available for payment of those Bond Service Charges; and

(iv) Any other "available receipts," as defined in Section 154.24(D) of the Revised Code, which are pledged for the payment of Bond Service Charges by a Series Order.

"Principal Payment Date(s)" means the date(s) on which principal is stated to be payable on Obligations at stated maturity or pursuant to Mandatory Sinking Fund Requirements and Mandatory Redemption Obligations and, for the Series 2016 Bonds, as shown on the Cover of the Official Statement.

"Prior Bonds" means the bonds issued pursuant to the Prior Trust Agreement.

"Prior Trust Agreement" means the Trust Agreement dated as of June 1, 1991, as supplemented, between the Authority and The Bank of New York Mellon Trust Company, N.A., as successor trustee, providing for the issuance of State of Ohio (Ohio Building Authority) State Facilities Bonds (Adult Correctional Building Fund Projects).

"Project Costs" means costs of the Projects.

"Projects" means those Capital Facilities, or portions of Capital Facilities, the Project Costs of which have been or are to be financed or refinanced by Obligations, and shall include that undivided portion of any Capital Facilities representing the part of Project Costs financed or refinanced by Obligations.

"Purchase Date" means the date for the payment of the Purchase Price for optionally or mandatorily tendered Series 2016 Bonds.

"Purchase Price" means the purchase price equal to 100% of the principal amount of tendered Series 2016 Bonds to be purchased, plus unless the Purchase Date is a regularly scheduled Interest Payment Date, all accrued and unpaid interest thereon to the Purchase Date, which principal and interest components shall be applied to the purchase of the rights to receive such principal and interest, when and as the same is or becomes due, from the Owners of such rights.

"Qualified Benchmark" has the meaning given to it in **APPENDIX D – ALTERNATIVE TRADING SYSTEM; BIDDING PROCEDURES**.

"Rate Determination Date" has the meaning given to it in **APPENDIX D – ALTERNATIVE TRADING SYSTEM; BIDDING PROCEDURES**.

"Rate Effective Date" has the meaning given to it in **APPENDIX D – ALTERNATIVE TRADING SYSTEM; BIDDING PROCEDURES**.

"Rate Period" means a period at which interest shall accrue on the Series 2016 Bonds as provided in the Series 2016C Supplemental Trust Agreement.

"Rate Publication Time" has the meaning given to it in **APPENDIX D – ALTERNATIVE TRADING SYSTEM; BIDDING PROCEDURES**.

"Rating Service" means any of Fitch, Moody's or S&P or their successors and assigns. If any of these corporations ceases to act as a securities rating agency, the Treasurer may, with the approval of the Trustee, appoint any nationally recognized securities rating agency as a replacement.

"Register" means the books kept and maintained by the Bond Registrar for the registration, exchange and transfer of Obligations pursuant to the Trust Agreement.

"Registered Obligations" means fully registered obligations registered as to both principal and interest in the name of the owner or holder.

"Registered Owner" means any Person in whose name an Obligation is registered pursuant to the Bond Proceedings.

"Regular Record Date" or "Record Date" means the 15th day of the calendar month immediately preceding the month when an Interest Payment Date on the Obligations occurs, and for the Series 2016 Bonds while in the Alternative Trading System Mode, the Business Day immediately preceding any date for payment.

"Renewal Term" means each successive term of the Lease resulting from the exercise by the DRC of its right to renew the term of the Lease to end at twelve o'clock midnight on the last day of the State's fiscal biennium (June 30th of each odd-numbered year) or until the Treasurer shall have paid and retired, or shall have made due and adequate provision for the payment and retirement of, all Obligations issued by the Treasurer.

"Required Reserve" means any reserve for payment of Bond Service Charges on any Obligations, or series or two or more series or part of a series of Obligations, that may be provided for in a Series Order, which Required Reserve may be provided for by deposit of moneys or Eligible Investments in a Special Fund or Account or by a Credit Enhancement Facility or by any combination of the foregoing.

"Revised Code" means the Ohio Revised Code.

"Rule" means U.S. Securities and Exchange Commission Rule 15c2-12.

"S&P" means S&P Global Ratings, a division of S&P Global Inc.

"Securities Depository" means any securities depository that is a clearing agency under federal law operating and maintaining, with its participants or otherwise, a book-entry system to record ownership and effect transfers of book-entry interests in bonds, notes or other evidence of obligations. Securities Depository includes its nominee for the particular purpose.

"Self-Liquidity Facility" means an agreement of the State set forth in the Series 2016 Supplemental Trust Agreement, whereby the Treasurer has agreed to use moneys then in the investment portfolio of the State Treasury to purchase, as an investment of the investment portfolio of the State Treasury, the Series 2016 Bonds tendered for purchase but not remarketed by the Market Agent as of the close of business on the Business Day immediately preceding the Purchase Date. The Self-Liquidity Facility terminates or ends if: (i) there occurs any failure to make timely payment of principal of, interest on or redemption premium, if any, required to be made on the Series 2016 Bonds; or (ii) the General Assembly fails in any State fiscal biennium to appropriate amounts to the DRC sufficient to meet its rental payment obligations to the OPFC under the Lease, which failure remains unremedied and the Lease not reinstated pursuant to its terms. The Self-Liquidity Facility is limited to paying the Purchase Price of the Series 2016 Bonds that have been tendered and not remarketed (i.e. "liquidity support") and is not a commitment or agreement for the payment of the principal of or interest on the Series 2016 Bonds (i.e. "credit support")

"Sell Order" has the meaning given to it in **APPENDIX D – ALTERNATIVE TRADING SYSTEM; BIDDING PROCEDURES**.

"Series 2016 Bond Purchase Fund" means an account within the investment portfolio of the State Treasury designated the "State of Ohio (Treasurer of State) Capital Facilities Lease-Appropriation Variable Rate Bonds, Series 2016C (Adult Correctional Building Fund Projects) Bond Purchase Fund."

"Series 2016 Bonds" means the $32,300,000* State of Ohio (Treasurer of State) Capital Facilities Lease-Appropriation Variable Rate Bonds, Series 2016C (Adult Correctional Building Fund Projects) authorized by the Series 2016C Order.

"Series 2016C Order" means Series Bond Order No. 9-16 issued by the Treasurer on October __, 2016 providing for the Series 2016 Bonds.

"Series 2016C Payment Account" means the trust fund established by the provisions of the Series 2016C Supplemental Trust Agreement in the custody of the Trustee for payment on the Series 2016 Bonds.

"Series 2016C Supplemental Lease" means the Series 2016C Supplemental Lease Agreement dated as of October 1, 2016 between the OPFC and the DRC, amending or supplementing the Lease.

"Series 2016C Supplemental Trust Agreement" means the Series 2016C Supplemental Trust Agreement dated October 1, 2016 between the State, acting by and through the Treasurer, and the Trustee, amending or supplementing the Trust Agreement, and includes the Series 2016C Order set forth in it.

"Series Order" means an order or resolution of the Treasurer authorizing the issuance of Obligations in accordance with the General Bond Order, including the Series 2016C Order, and includes any order, resolution or certificate providing for or evidencing the award and specific terms of Obligations authorized by the Series Order.

"Special Funds" or "Special Funds and Accounts" means the Bond Service Fund and accounts in that Fund to the extent pertaining to the Obligations, and any other funds or accounts, including, without implied limitation, a Bond Service Reserve Account providing a Required Reserve or funds or accounts relating to a Credit Enhancement Facility, permitted by, established under or identified in the Trust Agreement or a Series Order or Supplemental Trust Agreement.

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* Preliminary; subject to change.

"Spread Rate" has the meaning given to it in **APPENDIX D – ALTERNATIVE TRADING SYSTEM; BIDDING PROCEDURES**.

"State" means the State of Ohio.

"State Treasury" means the moneys, claims, bonds, notes, other obligations, stocks, and other securities, receipts or other evidences of ownership, and other intangible assets of the State that are required by law to be deposited in the State Treasury or otherwise a part of the State Treasury pursuant to Section 113.05 of the Revised Code.

"Submission Deadline" has the meaning given to it in **APPENDIX D – ALTERNATIVE TRADING SYSTEM; BIDDING PROCEDURES**.

"Substitute Liquidity Agreement" means an agreement to provide a Substitute Liquidity Facility for the Series 2016 Bonds.

"Subscriber" has the meaning given to it in **APPENDIX D – ALTERNATIVE TRADING SYSTEM; BIDDING PROCEDURES**.

"Substitute Liquidity Facility" means a liquidity facility for the Series 2016 Bonds other than the Self-Liquidity Facility.

"Substitute Liquidity Provider" means the provider of a Substitute Liquidity Facility.

"Supplemental Lease" means any Supplemental Lease amending or supplementing the Lease as contemplated by the Lease.

"Supplemental Trust Agreement" means any Supplemental Trust Agreement amending or supplementing the Trust Agreement.

"Tender Agent" means The Bank of New York Mellon Trust Company, N.A.

"Term Bonds" means those Bonds designated as such and maturing on the date or dates set forth in the Bond Proceedings, bearing interest payable on each Interest Payment Date and subject to Mandatory Redemption pursuant to Mandatory Sinking Fund Requirements.

"Treasurer" means the State Treasurer of Ohio.

"Trust Agreement" means the Original Trust Agreement, including the General Bond Order set forth in it, as the same may be amended, modified or supplemented, including as amended, modified or supplemented by the Series 2016C Supplemental Trust Agreement, and unless the context indicates otherwise, includes all Supplemental Trust Agreements.

"Trustee" means the Trustee at the time serving under the Trust Agreement, originally The Bank of New York Mellon Trust Company, N.A., New Albany, Ohio, and any successor Trustee as determined or designated pursuant to the Trust Agreement.

"Underwriter" means KeyBanc Capital Markets Inc.

Summary of the Trust Agreement

General

The following, in addition to information contained above under the heading **THE TRUST AGREEMENT** and **THE SERIES 2016 BONDS**, summarizes certain provisions of the Trust Agreement, to which reference to the full document is made for its detailed provisions. The General Bond Order and the Series 2016C Order authorizing the Series 2016 Bonds are incorporated in their entirety in, and constitute part of, the Trust Agreement and all references in this summary to the Trust Agreement shall, unless specific section references are made, include the General Bond Order and the Series 2016C Order.

So long as the Series 2016 Bonds are immobilized in a book-entry system with a Securities Depository, that Securities Depository or its nominee is for all purposes of the Trust Agreement considered by the Treasurer and the

Trustee to be the holder of those Series 2016 Bonds and the book-entry interest owners of the Series 2016 Bonds will not be considered holders of the Series 2016 Bonds and have no rights as holders under the Trust Agreement. (See THE SERIES 2016 BONDS – Registration, Payment and Transfer and APPENDIX C – BOOK-ENTRY SYSTEM; DTC)

Security

The Trust Agreement provides for a pledge of the Pledged Receipts by the State to the Trustee, for the benefit of the holders of the Obligations. Nothing in the Act, the Trust Agreement or other Bond Proceedings gives the holders of the Obligations, and they do not have, the right to have the General Assembly levy any excises or taxes for the payment of Bond Service Charges. (See **THE BONDS GENERALLY – Security**)

Funds and Accounts

The Trust Agreement establishes for the Series 2016 Bonds the following funds and accounts to be held in the custody of the Treasurer, separate and apart from and not a part of the State Treasury, and used for specific purposes described below: the Bond Service Fund, which includes the Bond Service Account; and the Administrative Service Fund. The Trust Agreement also establishes a Series 2016C Payment Account to be held by the Trustee and used for the specific purposes described below. In addition, the General Assembly has created the adult correctional building fund (the "Improvement Fund"), held by the Treasurer, which may include a separate account for each Project and each series of Obligations. The Improvement Fund is not pledged to the payment of Bond Service Charges on the Obligations. In addition, as described below, the Administrative Service Fund is not pledged to the payment of Bond Service Charges on the Obligations.

Bond Service Fund. The Act establishes the bond service fund, designated the "adult correctional facilities bond service trust fund," in the custody of the Treasurer, separate and apart from and not a part of the State Treasury, and provides that all moneys received by or on account of the Treasurer or the OPFC and required by the Bond Proceedings to be deposited, transferred, or credited to the Bond Service Fund, and all other moneys transferred or allocated to or received for the purposes of the Bond Service Fund, shall be deposited with the Treasurer and credited to the Bond Service Fund, subject to the Bond Proceedings, without necessity for any act of appropriation. The Bond Service Fund is a trust fund pledged to the payment of Bond Service Charges on Obligations to the extent provided in the Bond Proceedings and payment of Bond Service Charges from the Bond Service Fund shall be made or provided for by the Treasurer in accordance with the Bond Proceedings without necessity for any act of appropriation. Pursuant to the Act, it is required that all money received by or on account of the OPFC from the DRC under the Lease will be deposited, transferred or credited to the Bond Service Fund, except for Additional Rent which will be deposited, transferred or credited to the Administrative Service Fund. The Treasurer may create accounts within the Bond Service Fund including a Bond Service Account referred to below and one or more payment accounts for the Obligations.

Bond Service Account. The Bond Service Account has been established in the Bond Service Fund. There will be deposited in the Bond Service Account: (i) unless otherwise provided in a Series Order, from the proceeds of the sale of Obligations any amounts representing accrued interest and capitalized interest; (ii) all moneys received by the Treasurer under the Lease, excepting the portion of those moneys to be credited to the Administrative Service Fund; and (iii) any grants, gifts, donations, pledges, and the receipts from such grants, gifts, donations and pledges, received by the Treasurer for the purposes of the Bond Service Account or any Required Reserve (there is no Required Reserve for the Series 2016 Bonds) any moneys to be transferred from the Improvement Fund to the Bond Service Account or any Required Reserve or any Special Fund, except the Administrative Service Fund, and any other moneys transferred or allocated to or received for the purposes of the Bond Service Account or any Required Reserve. The Bond Service Account is pledged to and shall be used except as excess amounts may be transferred pursuant to the General Bond Order, solely for the payment of Bond Service Charges on the Obligations as they fall or become due and payable.

Administrative Service Fund. The Administrative Service Fund will be used to pay (i) regular and special fees and reimbursement of reasonable expenses of the Trustee, Paying Agent, Authenticating Agent, Bond Registrar, depositories, financial advisors, consultants, attorneys, accountants and others providing services with respect to the authorization, sale, issuance, delivery and servicing of the Obligations, including audits, certifications, and reports provided for in the General Bond Order or any Series Order and (ii) the financing charges, costs of Credit Enhancement Facilities, costs of printing, engraving, advertising, and other expenses in connection with such authorization, sale, issuance, delivery and servicing of the Obligations. Amounts necessary to pay any rebate amount computed in accordance with the requirements of Section 148(f) of the Internal Revenue Code and the related regulations, may also be paid by the Treasurer from the Administrative Service Fund. The Administrative Service Fund is not pledged to the payment of Bond Service Charges on the Obligations.

Series 2016C Payment Account. The Series 2016C Payment Account is established in the custody of the Trustee. Moneys for the payment of Bond Service Charges on the Series 2016 Bonds transferred by the Treasurer to the Trustee pursuant to the General Bond Order shall be deposited in the Series 2016C Payment Account. The Trustee shall make all payment of Bond Service Charges on the Series 2016 Bonds with moneys on deposit or credited to the Series 2016C Payment Account.

Series 2016C Bond Purchase Fund/Self-Liquidity Facility. The Series 2016C Bond Purchase Fund is established as a "Special Fund" under and pursuant to the Trust Agreement and the Revised Code, within the investment portfolio of the State Treasury and is maintained by the Treasurer. Moneys then available in the investment portfolio of the State Treasury will be applied to the purchase, as an investment of the investment portfolio of the State Treasury, of Series 2016 Bonds tendered for purchase but not remarketed by the Market Agent as of the close of business on the Business Day immediately preceding the Purchase Date. On each Purchase Date, if the Market Agent has not successfully remarketed all the Series 2016 Bonds tendered for purchase on such Purchase Date, the Treasurer will purchase, or cause to be purchased, from the Tender Agent with moneys then in the investment portfolio of the State Treasury in an amount equal to the principal amount of, and unpaid interest accrued through the day immediately preceding the Purchase Date for, the Series 2016 Bonds tendered for purchase but not remarketed on such Purchase Date. If the portfolio of the State Treasury has insufficient cash to make payment in full of the Purchase Price of such Series 2016 Bonds, the Treasurer will take, or cause to be taken, such actions as may be necessary, including liquidating investments within the portfolio of the State Treasury, to ensure that on the Purchase Date with respect to such unremarketed Series 2016 Bonds, there will be sufficient cash to pay in full the Purchase Price of all such Series 2016 Bonds on such Purchase Date. Holders or owners of the Series 2016 Bonds shall have no right to have excises or taxes levied by the General Assembly to provide moneys for the for the investment portfolio of the State Treasury or otherwise to provide for an amount sufficient therein to pay the principal amount of, and unpaid interest accrued the Series 2016 Bonds tendered for purchase. The Self-Liquidity Facility is not a credit agreement, credit obligation or credit commitment. The Self-Liquidity Facility shall terminate and shall not be available for the purchase of Series 2016 Bonds tendered but not remarketed by the Market Agent in the event: (i) there occurs any failure to make timely payment of principal of, interest on or redemption premium, if any, required to be made on the Series 2016 Bonds; or (ii) the General Assembly fails in any State fiscal biennium to appropriate amounts to the DRC sufficient to meet its rental payment obligations to the OPFC under the Lease and the Lease is not reinstated pursuant to its terms, and in the event of either (i) or (ii) above, such failure remains unremedied. Anything in the Original Trust Agreement to the contrary notwithstanding, neither the failure of the Treasurer to purchase any unremarketed Series 2016 Bonds tendered for purchase, to pay or remit any moneys or perform or observe any covenant, agreement or condition under the section of the Series 2016C Supplemental Trust Agreement providing for the Self-Liquidity Facility nor any failure to remedy the same will constitute an Event of Default under the Trust Agreement. For purposes of the use of the Series 2016 Bond Purchase Fund, while the Series 2016 Bonds are in the Alternative Trading System Mode, the Treasurer's agreement to use the investment portfolio of the State Treasury to purchase Series 2016 Bonds shall apply to the Treasurer's purchase of Contractual Bidder Bonds. (See **THE SERIES 2016 BONDS – Tender of Series 2016 Bonds and – Liquidity**)

Other Special Funds and Accounts. If and to the extent required by any loan or grant agreement or other agreement with the United States of America or the State or any other governmental or public agency providing for any financial assistance, guarantee or insurance in connection with the financing of any Project or in connection with the issuance of Obligations, or by any Credit Enhancement Facility, the Treasurer may, pursuant to a Series Order, create Special Funds and Accounts or sub-accounts in the Bond Service Fund and in the Bond Service Account or other accounts, relating to that Project or its financing or the particular Obligations, and make special provisions, among others, that moneys received under that agreement or instrument be restricted to such Special Funds and Accounts or sub-accounts, and for the holding, investing and disposition of any moneys in Special Funds and Accounts or sub-accounts in accordance with that agreement or instrument and for the primary or exclusive benefit of the applicable Obligations, but all only as and to the extent required by that agreement or instrument. If any Special Funds or Accounts or sub-accounts are so restricted, then the amounts in those Special Funds or Accounts or sub-accounts, to the extent so restricted, shall not be considered to be available for Bond Service Charges on other Obligations in determining the sufficiency of or deposits to the Bond Service Account under the provisions of the General Bond Order with respect to the other Obligations.

Investment of Certain Funds

Moneys in the Improvement Fund will be invested in accordance with State law. Moneys held in the Bond Service Account may be invested and reinvested by the Treasurer in any Eligible Investments as provided in the Trust Agreement, provided that investments of moneys in the Bond Service Account shall mature or be redeemable at the option of the holder at the times and in the amounts necessary to provide moneys to meet the payment of Bond Service Charges as they fall due. The Treasurer may from time to time sell such investments and reinvest the proceeds in similarly rated Eligible Investments maturing or redeemable as provided above. Any Eligible Investments may be purchased from the Trustee or its affiliates.

Subject to the provisions of the Bond Proceedings, an investment made from moneys credited to the Bond Service Account shall constitute part of that Bond Service Account, and that Bond Service Account shall be credited with all proceeds of sale and income from that investment. Those investments shall be valued at the lesser of face amount or market value. Moneys held in the Administrative Service Fund, until required for payments to be made from the Administrative Service Fund, may also be invested in Eligible Investments upon or pursuant to order of the Treasurer.

Additional Bonds

One or more series of Additional Bonds may be issued under the Trust Agreement to pay Costs of Capital Facilities for the purposes described therein and in the Act, and to refund, advance refund, fund or retire Obligations or Prior Bonds. Such Additional Bonds shall be authorized by Series Orders as provided in the General Bond Order.

The issuance of Additional Bonds under the Trust Agreement is also subject to the following conditions, among others: (i) the State is not in default, and the authentication and delivery of the Additional Bonds will not result in any default, of any of the State's covenants or obligations under the Trust Agreement or the Prior Trust Agreement; (ii) the aggregate outstanding principal amount of those Additional Bonds and any other Obligations outstanding and issued under the Act, will not exceed in aggregate the amount of those particular Obligations that may be issued or outstanding under the Act; (iii) upon such issuance and delivery, the amount in or of any Required Reserve for any Additional Bonds is not less than that Required Reserve; (iv) other requirements provided in the Trust Agreement for the issuance of Additional Bonds have been met; and (v) the Trustee has received (a) a copy, certified by the Treasurer of the Series Order authorizing the issuance and delivery of those Additional Bonds, adopted in conformity with the General Bond Order; (b) an original executed counterpart of the Supplemental Trust Agreement entered into in connection with the issuance of those Additional Bonds; (c) an original executed counterpart of the Supplemental Lease entered into in connection with the issuance of those Additional Bonds; (d) a request and authorization to the Trustee on behalf of the Treasurer, signed by its Authorized Officer, to authenticate and deliver the Additional Bonds to or on the order of the Original Purchaser identified, and upon payment of an amount specified, in that request and authorization; (e) a certificate of an Authorized Officer confirming that conditions (i) through (iv) above are satisfied; (f) the written opinion of legal counsel retained by the Treasurer, or other legal counsel satisfactory to the Trustee, to the effect that documents submitted to the Trustee in connection with that request and authorization comply with the requirements of the Trust Agreement, and that all legal conditions precedent to the issuance of those Additional Bonds as provided in the Trust Agreement have been complied with and a written opinion of bond counsel for or designated by the Treasurer, who may also be the legal counsel referred to above, that those Additional Bonds, when duly executed, authenticated and delivered, will be valid and legal special obligations of the State, by the Treasurer, in accordance with their terms and those Additional Bonds, together with all Obligations then outstanding under the Trust Agreement, will be secured by the Trust Agreement; (g) a certificate of an authorized officer of the State confirming that amounts sufficient to support all rentals estimated to be due under the Lease, or other leases of the DRC relating to Prior Bonds, if and to the extent applicable, for the current fiscal biennium have been appropriated to the lessee for the payment of such rentals and that, to the extent that budget requests have been made for the next succeeding fiscal biennium, amounts sufficient to support all rentals estimated to be due under the Lease and any other leases relating to Prior Bonds, if and to the extent applicable, for such biennium have been requested; and (i) any items required by the applicable Supplemental Trust Agreement to be filed with the Trustee before such Additional Bonds are initially authenticated and delivered.

Further Covenants

Certain other covenants of the Treasurer contained in the Trust Agreement are as follows:

Payment. The Treasurer covenants in the Trust Agreement to, from the sources provided in the General Bond Order, pay or cause to be paid the Bond Service Charges on each and all Obligations on the dates, at the places and in the manner provided in the General Bond Order, Bond Proceedings and Obligations, according to their true intent and meaning.

Maintenance of Pledge. The Treasurer covenants in the Trust Agreement not to make any pledge or assignment of or create or suffer any lien or encumbrance upon the Pledged Receipts prior to or on a parity with the pledge of the Pledged Receipts under, except as and if authorized or permitted under, the General Bond Order and the Trust Agreement.

Observance of Covenants. The Treasurer covenants in the Trust Agreement to faithfully observe and perform all agreements, covenants, undertakings, stipulations, and provisions contained in the General Bond Order, the Trust Agreement, any other applicable Series Order, and any and every outstanding Obligation executed, authenticated and delivered under the Trust Agreement.

Duties Binding on All with Authority; Enforcement by Mandamus. The Treasurer has acknowledged that each provision of the Bond Proceedings is binding upon the officer, board, authority, agency, department, or other person or body as may from time to time have the authority under law to take the actions as may be necessary to perform all or any part of the duty required by the provision. The Treasurer also acknowledged that each duty of the Treasurer and the Treasurer's officers and employees is established as a duty of the Treasurer, and of each officer and employee having authority to perform that duty, specifically enjoined by law resulting from an office, trust or station within the meaning of Section 2731.01 of the Revised Code, providing for enforcement by writ of mandamus.

Annual Reports. The Treasurer will, within 90 days after the end of each Fiscal Year, submit to the Trustee, the Governor and to the General Assembly by delivery to the presiding officers of each house of the General Assembly, an annual report by the Treasurer in the form required by Section 154.05 of the Revised Code.

Events of Default and Remedies

Events of Default. The occurrence of any of the following events is declared to be and to constitute an Event of Default under the Trust Agreement:

- Failure to pay any interest on any Obligation, when and as the same shall have become due and payable;
- Failure to pay the principal of or any redemption premium on any Obligation, when and as the same shall have become due and payable, whether at maturity or by acceleration or call for redemption; or
- Failure to perform or observe duly or punctually any other covenant, condition or agreement contained in the Obligations or the Trust Agreement and to be performed by the State, which failure shall have continued for a period of 60 days after written notice of it to the Treasurer given by the Trustee or the holders of not less than 25% in aggregate outstanding principal amount of affected Obligations.

The Trustee shall not be required to take notice, and shall not be deemed to have notice or knowledge, of any Event of Default described in the third bullet above, unless the Trustee is notified specifically of the Event of Default in a written instrument delivered to it by the Treasurer or by the holders of at least 10% of the aggregate outstanding principal amount of Obligations under the Trust Agreement. In the absence of delivery of a notice satisfying those requirements, the Trustee may assume conclusively that there is no Event of Default as described in the third bullet above.

If an Event of Default occurs, the Trustee shall give written notice to the Treasurer within five business days after having knowledge of that Event of Default, and to the Original Purchasers of each series of Obligations then outstanding under the Trust Agreement, to the Bondholders of those Obligations, and to any other Paying Agent and Authenticating Agent within 90 days after having such knowledge, unless the Event of Default has been remedied or cured before the giving of that notice or, in the case of an Event of Default under the third bullet above, the Trustee in good faith determines that the withholding of that notice is in the interests of the Bondholders.

Remedies. If an Event of Default as described in the first and second bullets above has occurred and is continuing the Trustee shall, and if an Event of Default as described in the third bullet above has occurred and is continuing the Trustee may, and upon the written request of the holders of not less than 25% in aggregate outstanding principal amount of the Obligations shall, proceed in its own name to protect and enforce its rights and the rights of the Bondholders under the Trust Agreement by such of the following remedies as the Trustee, being advised by counsel, shall deem most effective to protect and enforce those rights:

(i) By mandamus or other suit, action or proceeding at law or in equity enforce all the rights of the Bondholders, including the compelling of the performance of all duties of the Treasurer or governmental agencies under the Bond Proceedings and the enforcement of the payment of the Bond Service Charges;

(ii) Bring suit upon the Obligations;

(iii) Enjoin unlawful activities or activities in violation of the rights of the Bondholders under the Trust Agreement;

(iv) In the case of an Event of Default that is a payment default (described in the first and second bullets above), apply to a court having jurisdiction of the cause to appoint a receiver (which may be the Trustee) to receive and administer the Pledged Receipts, other than those in the custody of the Treasurer, with full power to pay

and to provide for payment of Bond Service Charges, and with such powers, subject to the discretion of the court, as are accorded receivers in general equity cases, excluding any power (i) to pledge additional revenues or receipts or other income or moneys of the Treasurer or the State or State agencies to the payment of the Bond Service Charges, and (ii) to take possession, mortgage or cause the sale or otherwise dispose of any Capital Facilities; and

(v) In the case of an Event of Default that is a payment default (described in the first and second bullet above), by notice in writing to the Treasurer declare the principal of all Obligations then outstanding (if not then due and payable) and any interest accrued on those Obligations to be due and payable immediately, and upon that declaration that principal and interest, shall become and be immediately due and payable.

The provisions of the above subparagraph (v) are subject, however, to the condition that if at any time after principal and interest have been so declared due and payable and prior to the entry of judgment in a court of law or equity for enforcement or the appointment of a receiver under the Trust Agreement all sums payable under the Trust Agreement, except the principal of the Obligations which have not reached their stated maturity dates and which are due and payable solely by reason of such declaration, plus interest (to the extent permitted by law) on any overdue installments of interest at the rate borne by the Obligations in respect of which such Event of Default shall have occurred, shall have been duly paid or provided for by deposit with the Trustee or Paying Agent and all existing defaults thereunder shall have been made good, then and in every such case the payment or provision for payment shall, in and of itself, constitute a waiver of the applicable Event of Default and its consequences and an automatic rescission and annulment of the declaration under the above subparagraph (v). No such waiver, rescission and annulment shall extend to or affect any or impair any rights consequent on a subsequent or other Event of Default.

Enforcement of Rights Under Agreement. Upon the occurrence and continuance of any Event of Default the Trustee may proceed, and upon the written request of the holders of not less than 25% in aggregate outstanding principal amount of the Obligations shall proceed to protect and enforce its rights and the rights of the Bondholders under the Trust Agreement by such suits, actions or special proceedings in equity or at law, either for the specific performance of any covenant or agreement contained in the Trust Agreement or in the aid or execution of any power granted in the Trust Agreement or for the enforcement of any proper legal or equitable remedy, as the Trustee, being advised by counsel, shall deem most effective to protect and enforce those rights.

In the enforcement of any remedy under the Trust Agreement, the Trustee shall be entitled to sue for, enforce payment of and receive any and all amounts then or during any default becoming due and at any time remaining unpaid on account of principal, interest or otherwise under any of the provisions of the Trust Agreement or of the Obligations, with interest on overdue payments at the rate or rates of interest specified or provided for in the Obligations or the Series Order, together with any and all costs and expenses of collection and of all proceedings under the Trust Agreement and under those Obligations, without prejudice to any other right or remedy of the Trustee or of the Bondholders, and to recover and enforce any judgment or decree against the State or the Treasurer, but solely as provided in the Trust Agreement and in the Obligations, for any portion of such amounts remaining unpaid, with interest, costs and expenses, and to collect (but solely from the Pledged Receipts and the Special Funds and Accounts from which the Obligations are payable) in any manner provided by law, the moneys adjudged or decreed to be payable.

The holders of not less than a majority in aggregate outstanding principal amount of the Obligations shall have the right at any time by an instrument or concurrent instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting any and all remedial proceedings under the Trust Agreement. However, (i) that direction shall not be otherwise than in accordance with the provisions of law or of the Trust Agreement, (ii) the Trustee shall be indemnified as provided in the Trust Agreement, and (iii) the Trustee shall have the right to decline to follow any such direction which in its opinion would be unjustly prejudicial to Bondholders not parties to that direction.

No remedy by the terms of the Trust Agreement conferred upon or reserved to the Trustee (or to the holders of the Obligations) is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and in addition to any other remedy given to the Trustee or to the holders of the Obligations under the Trust Agreement or now or existing in the future.

No delay or omission to exercise any right or power accruing upon any default or Event of Default shall impair any such right or power or shall be construed to be a waiver of or acquiescence in that default or Event of Default. Every such right and power may be exercised from time to time and as often as may be deemed expedient.

On the occurrence of an Event of Default, neither the Treasurer nor the State nor any governmental agency, nor anyone claiming through or under any of them, shall set up, claim, or seek to take advantage of any laws now in force or in force in the future, in order to prevent or hinder the enforcement of the Trust Agreement, but the Treasurer, for the Treasurer and all who claim through or under the Treasurer, and for the State and for any governmental agency, waives, under the Trust Agreement, to the extent it may lawfully do so, the benefit of all such laws to which they or the State or such governmental agency may be entitled.

Waiver of Events of Default

At any time the Trustee may in its discretion waive any Event of Default under the Trust Agreement and its consequences, and rescind any declaration of accelerated maturity of principal and interest, and shall do so upon the written request of the holders of (i) at least a majority in aggregate outstanding principal amount of all the Obligations in respect of which an Event of Default in the payment of Bond Service Charges has occurred, or (ii) at least 25% in aggregate outstanding principal amount of all Obligations in case of any other Event of Default. However, there may not be so waived any Event of Default that is a payment default (described in the first and second bullets under **Summary of the Trust Agreement – Events of Default and Remedies –** Events of Default above), or any such declaration in connection with such an Event of Default rescinded, unless at the time of that waiver or rescission payments of the amounts as provided under **Summary of the Trust Agreement – Events of Default and Remedies** – Remedies above for waiver and automatic rescission in connection with that acceleration have been made or provided for. In case of any such waiver or rescission, the Treasurer, the Trustee and the Bondholders shall be restored to their respective positions and rights under the Trust Agreement. No such waiver or rescission shall extend to or impair any rights consequent on any subsequent or other Event of Default.

Supplemental Trust Agreements

The State and the Trustee, without the consent of or notice to any of the Bondholders, may enter into agreements supplemental to the Trust Agreement as shall not, in the opinion of the Treasurer and the Trustee, be inconsistent with the terms and provisions of the Trust Agreement for any one or more of the following purposes:

(i) to cure any ambiguity, inconsistency or formal defect or omission in the Trust Agreement;

(ii) to grant to or confer upon the Trustee for the benefit of the Bondholders any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Bondholders or the Trustee;

(iii) to subject additional revenues or receipts to the lien and pledge of the Trust Agreement;

(iv) to add to the State's covenants and agreements contained in the Trust Agreement other covenants and agreements to be observed after such addition for the protection of all or particular Bondholders, or to surrender or limit any right, power or authority reserved to or conferred upon the State in the Trust Agreement, including the limitation of rights of redemption so that in certain instances Obligations of different series will be redeemed in some prescribed relation to one another;

(v) to evidence any succession to the Treasurer and the assumption by the successor of the Treasurer's covenants and agreements contained in the Trust Agreement and the Obligations;

(vi) in connection with the issuance of Obligations in accordance with the Trust Agreement, including any and all appropriate provisions relating to the issuance of Additional Bonds in form other than Registered Obligations;

(vii) to permit compliance with changes in federal or state securities or tax laws or regulations;

(viii) to permit the Trustee to comply with any obligations imposed upon it by law;

(ix) to specify further the duties and responsibilities at and to define further the relationship among, the Trustee and any other Authenticating Agent, Bond Registrar or Paying Agent;

(x) the transfer of Obligations from one Securities Depository to another, and the succession of Securities Depositories, and the withdrawal of Obligations issued to a Securities Depository for holding in a book-entry system and the issuance of replacement Registered Obligations to others than a Securities Depository;

(xi) to limit the Eligible Investments of moneys in the Bond Service Account as listed in the Trust Agreement, or to add to that list other Eligible Investments. If there be such a Rating Service at the time, the addition of Eligible Investments must be approved for the purpose by each Rating Service that has at the Treasurer's request assigned a rating to, and at the time maintains a rating on, the outstanding Obligations; and

(xii) in connection with any other amendment to the Trust Agreement which, in the judgment of the Trustee is not to the prejudice of the Trustee or the holders of outstanding Obligations which that amendment may affect.

The provisions of clauses (vii) and (viii) of the preceding paragraph shall not be deemed to constitute a waiver by the Trustee, the Treasurer or any holder of any right which it may have in the absence of those clauses (vii) and (viii) to contest the application of any change in law to the Trust Agreement or those Obligations.

In addition, subject to the terms, provisions and limitations that follow, and not otherwise, the holders of not less than a majority in aggregate of the outstanding principal amount of the Obligations shall have the right, from time to time, anything contained in the Trust Agreement to the contrary notwithstanding, to consent to and approve the execution by the Treasurer and the Trustee of such other agreement or agreements supplemental to the Trust Agreement as may be deemed necessary and desirable by the Treasurer for the purpose of modifying, altering, adding to or rescinding, in any particular, any of the terms or provisions contained in the Trust Agreement. However, nothing in the Trust Agreement shall permit or be construed as permitting:

(i) an extension of the maturity of the principal of or the interest on any Obligation, or a reduction in the principal amount of or the rate of interest or redemption premium on any Obligation, or a reduction in the amount or extension of the time of any payment required by any Mandatory Sinking Fund Requirements, without the consent of the holder of each Obligation so affected; or

(ii) a reduction in the aggregate outstanding principal amount of the Obligations required for consent to such Supplemental Trust Agreement without the consent of the applicable holders of all of the Obligations then outstanding.

Where the consent of the holders of the Obligations is required, procedures are established in the Trust Agreement for notice to those holders and for the execution and filing of the requisite consents. Any consent shall be binding upon the holder of the Obligation giving that consent and upon any subsequent holder of the Obligation and of any Obligation issued in exchange for it, whether or not that subsequent holder has notice of the consent. However, the consent may be revoked by the holder of the Obligation who gave the consent if still the holder, or by a subsequent holder of the Obligation, by filing a written revocation with the Trustee prior to the date of execution by the Trustee of the Supplemental Trust Agreement. If the holders of the required percentage in aggregate outstanding principal amount of the Obligations have consented to and approved the execution of the Supplemental Trust Agreement as provided in the Trust Agreement, no holder of any Obligation shall have any right to object to the execution of the Supplemental Trust Agreement, or to object to any of the terms and provisions contained in or the operation of the Supplemental Trust Agreement, or in any manner to question the propriety of the execution of the Supplemental Trust Agreement or to enjoin or restrain the Trustee or the Treasurer from executing it or from taking any action pursuant to its provisions.

In addition to supplements and amendments otherwise authorized by the Trust Agreement, the Series 2016C Supplemental Trust Agreement, including any Annexes and Exhibits, may be supplemented or amended by an Officer's Certificate:

(i) to cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision relating to the Series 2016 Bonds;

(ii) to identify particular Series 2016 Bonds for purposes not inconsistent with the Series 2016C Bond Order, including credit or liquidity support, remarketing, Conversion, redemption, serialization and defeasance;

(iii) to insert such provisions with respect to the Series 2016 Bonds as are necessary or desirable and are not to the prejudice of the Bondholders; or

(iv) to provide for a credit enhancement or Liquidity Provider other than the Treasurer.

None of the foregoing amendments referred to in (i)-(iv) above shall be effective unless the Treasurer shall have received a Favorable Opinion of Bond Counsel.

Defeasance

If the State, by the Treasurer, shall pay or cause to be paid, or there shall otherwise be paid, to the holders of the outstanding Obligations all Bond Service Charges due or to become due thereon, and provision shall also be made for paying all other sums payable under the Trust Agreement by the Treasurer, then and in that event the Trust Agreement shall cease, determine and become null and void, and the covenants, agreements and other obligations of the Treasurer under the Trust Agreement shall be discharged and satisfied. Bond Service Charges due or to become due on the outstanding Obligations shall be deemed to have been so paid or caused to be paid if:

(i) the Trustee and Paying Agents shall hold, in trust for and irrevocably committed to the payment of Bond Service Charges, sufficient moneys; or

(ii) the Trustee shall hold, in trust for and irrevocably committed to the payment of Bond Service Charges, non-callable Federal Securities certified by a firm of independent certified public accountants of national reputation to be of such maturities and interest payment dates and to bear such interest or other investment income as will be, without further investment or reinvestment of either the principal amount of or the interest earnings from them, sufficient, together with any moneys referred to in (i) above, for the payment, when due, of all Bond Service Charges to the date or respective dates of maturity or redemption, as the case may be; provided, that if any Obligations are to be redeemed prior to their maturity, notice of that redemption shall have been duly given or irrevocable provision reasonably satisfactory to the Trustee shall have been duly made for the giving of that notice.

Non-Presentment of Bonds

If an Obligation is not presented for payment when due in whole or in part, whether at maturity, prior redemption or otherwise, or a check or draft for interest is uncashed, and if moneys for the purpose of paying and sufficient to pay the amount involved have been made available to the Trustee for the benefit of the Bondholder, all liability of the State or the Treasurer to that holder for that payment shall then cease and be discharged completely, and it shall then be the duty of the Paying Agent to hold those moneys in trust, without liability for interest on them, for the exclusive benefit of that holder. Subject to the provisions of the Trust Agreement, that Bondholder (and successive holders of that Obligation) shall, from that time, be restricted exclusively to those moneys for any claim of whatever nature on such holder's part under the Trust Agreement or on or with respect to that amount then due on that Obligation or that check or draft.

Any moneys so held by the Trustee or Paying Agent and remaining unclaimed by the holder (or successive holders) of that Obligation, for a period of three years after the date on which that Obligation became payable as provided above or on which that check or draft was issued, shall be paid to the Treasurer and, from that time, the holder (or successive holders) of that Obligation shall look only to the Treasurer for payment and then only to the amounts so received by the Treasurer without any interest on those amounts, and the Paying Agent and the Trustee shall have no further responsibility with respect to those moneys.

Payments Due on Saturdays, Sundays and Holidays

If any Interest Payment Date or Principal Payment Date (the date of maturity of the principal of any Obligations, or date fixed for redemption of any Obligations) (each referred to below as "the applicable date") is a Saturday or Sunday, or a day on which:

(i) the Trustee is required, or authorized or not prohibited, by law (including without limitation, executive orders) to close and is closed, then payment of interest, principal, and any redemption premium (each referred to as the "payment") need not be made by the Trustee or any Paying Agent on that date, and that payment shall be made on the next succeeding business day on which the Trustee and the Paying Agent are open for business with the same force and effect as if that payment were made on the applicable date, and no interest shall accrue for the period after that applicable date; or

(ii) a Paying Agent is required, or authorized or not prohibited, by law (including without limitation, executive orders) to close and is closed, then the payment need not be made by that Paying Agent on that date, and the payment shall be made on the next succeeding business day on which that Paying Agent is open for business

with the same force and effect as if the payment were made on the applicable date, and no interest shall accrue for the period after that applicable date.

If, however, the Trustee is open for business on the applicable date it shall make any payment with respect to interest on outstanding Obligations and principal of and premium on Obligations presented to it for payment, regardless of whether any other Paying Agent is open for business or closed on that date.

Trustee

The Trustee under the Trust Agreement is The Bank of New York Mellon Trust Company, N.A., which is a national banking association organized and existing under and by virtue of the laws of the United States of America and authorized to exercise corporate trust powers in the State. The Trustee accepts the trusts imposed upon it by the Trust Agreement, but only upon the terms and conditions set forth in the Trust Agreement. The Trustee, prior to the occurrence of an Event of Default under the Trust Agreement and after the curing of all Events of Default under the Trust Agreement which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in the Trust Agreement, and no implied covenants or obligations should be read into the Trust Agreement against the Trustee. If any Event of Default under the Trust Agreement shall have occurred and be continuing, the Trustee shall exercise such of the rights and powers vested in it by the Trust Agreement and shall use the same degree of care as a prudent person would exercise or use in the circumstances in the conduct of such prudent person's own affairs. Before taking action under the provisions of the Trust Agreement related to intervention by the Trustee and default (with the exception of any action required to be taken under the Trust Agreement related to giving notice of an Event of Default), the Trustee may require that a satisfactory indemnity bond be furnished for the reimbursement to it of all reasonable expenses to which it may be put and to protect it against all liability by reason of any action so taken, except liability which is adjudicated to have resulted from its negligence, bad faith or willful misconduct by reason of any action so taken. The permissive right of the Trustee to do things enumerated in the Trust Agreement shall not be construed as a duty and the Trustee shall not be answerable for other than its negligence, bad faith or willful misconduct.

Summary of the Lease

General

Pursuant to the Act, the OPFC may lease Capital Facilities, including a lease of the Capital Facilities to the DRC. Accordingly, the OPFC has entered into the Lease with the DRC. The following, in addition to information contained above under **THE LEASE**, summarizes certain provisions of the Lease, to which reference to the complete document is made for its detailed provisions.

Term of the Lease

The Initial Term of the Lease has been renewed to expire at twelve o'clock midnight the last day of the State's fiscal biennium, currently June 30, 2017. The DRC shall have the right to renew the term of the Lease for successive Renewal Terms until the Treasurer shall have paid and retired, or shall have made due and adequate provision for the payment and retirement of, all Obligations issued by the Treasurer. Subject to any change in the method of determining the State's fiscal biennium, or the length of the last Renewal Term, each Renewal Term shall be for the two year period commencing on the day succeeding the expiration of the preceding term and ending on the last day of any fiscal biennium, currently June 30 of every odd-numbered year, upon the same terms as are contained in the Lease, unless sooner terminated in accordance with the provisions of the Lease and the Trust Agreement. The DRC shall be deemed to have exercised its right to renew the term of the Lease and the Lease shall be renewed, upon the effectiveness, at or prior to the expiration of the Initial Term or the Renewal Term then in effect, of legislation enacted by the General Assembly appropriating sufficient funds to the DRC for the purpose of paying the rentals required by the Lease during the next succeeding Renewal Term.

Rental Payments and Pledges

The Lease requires the DRC to pay Basic Rent directly to the Treasurer in amounts at least adequate to meet the Bond Service Charges on the Obligations and establish and maintain any Required Reserve (there is no Required Reserve for the Series 2016 Bonds). The Lease also requires the DRC to pay Additional Rent directly to the Treasurer in amounts at least adequate to provide for the purposes of the Administrative Service Fund established under the Trust Agreement. The Act requires that all money received by or on account of the OPFC from the DRC under the Lease be deposited, transferred or credited to the Bond Service Fund, except for Additional Rent which shall be deposited, transferred or credited to the Administrative Service Fund. See **Summary of the Trust Agreement – Funds and Accounts** above. The Lease rental payments, other than those deposited in the Administrative Service Fund, are pledged by the Treasurer pursuant to the Trust

Agreement for the payment of Bond Service Charges on the Obligations under the Lease, and the OPFC has assigned those rentals to the Treasurer for the purpose.

The DRC may, at its option, make from time to time prepayments of Basic Rent under the Lease to be used, to the extent allowable pursuant to the Trust Agreement, together with any additional deposit of money of the DRC, for the purchase or redemption of Obligations. It is specifically acknowledged that Additional Rent to be paid for the purpose of the Administrative Service Fund in connection with the Series 2016 Bonds may include any sums necessary to pay any rebate amount or related payment on the Series 2016 Bonds which are not paid from other sources.

Except as described below under **Summary of the Lease – Legislative Appropriations**, the obligation of the DRC to pay Basic Rent and Additional Rent under the Lease shall be absolute and unconditional, and such Basic Rent and Additional Rent shall be payable without any rights of termination, set-off, recoupment, deduction, defense or counterclaim it might have against the OPFC, the Treasurer, the Trustee, or any other Person, and without abatement, suspension, deferment, diminution or reduction for any reason or as the result of any occurrence whatsoever, including without limitation, whether the Projects are ever constructed, installed or made ready for occupancy or are ever used or occupied by the DRC or available for use or occupancy by the DRC, any acts or circumstances that may constitute an eviction or constructive eviction, failure of consideration, failure of title or frustration of purpose, any damage to or destruction of a Project, the taking by condemnation, eminent domain or operation of law of title to or the right of temporary use of all or any part of a Project, or the disposal of all or any part of a Project.

Project Substitutions and Alterations; Other Rights and Duties

In addition to other rights and privileges under the Lease, the DRC shall have the privilege from time to time of substituting furnishings, equipment and related property in connection with the Projects, provided that such substitution shall not impair the character of the Projects as Capital Facilities useful to the DRC. Any such substituted property shall become part of the Projects for purposes of the Lease, and the replaced property shall become the property of the DRC. The DRC shall also have the privilege of removing any portion of the Projects without substitution for such removed portion; provided, however, that the removal of such portion will not impair the usefulness of the Projects to the DRC.

The DRC shall, subject to applicable laws, have the right at any time and from time to time, without liability to the OPFC, to make or cause to be made such changes, alterations and additions, structural or otherwise, to any portion of the Projects, as the DRC shall deem necessary or desirable in connection with its use of the Projects. All alterations, additions and improvements to the Projects shall become a part of the Projects. The DRC has other rights and duties under the Lease including the right to grant licenses and leases on the Projects with certain restrictions and such other rights it may have under applicable laws. Likewise, the DRC shall have the duties to keep the Projects in good repair and order, comply with applicable law, and keep the Projects free of liens.

Insurance

The OPFC is not to, and shall not be required to, expend any money or do any acts or take any steps affecting or with respect to the maintenance, preservation, operation, insurance, repair, restoration, reconstruction or protection of any Project or any part of any Project.

The DRC shall maintain, or cause to be maintained, general liability insurance and property insurance, including if applicable builders' risk insurance, in an amount that, at a minimum, covers the full replacement cost of Projects funded, in whole or in part, by the State. Insurance proceeds are <u>not</u> Pledged Receipts.

Reserved Right of Amendment

Notwithstanding any other provision of the Lease, the OPFC and the DRC reserve the right to modify or amend the Lease, including any Supplemental Lease, in a duly authorized signed writing. However, no modification or amendment shall impair or reduce the minimum rental requirements of the Lease.

Legislative Appropriations

It is the understanding and agreement of the parties that the DRC will pay rentals required by the Lease solely from moneys appropriated by the General Assembly to the DRC for the purpose and not from funds received from any Project, and that the agreement of the DRC to pay those rentals during any period for which appropriations may lawfully be made by the General Assembly is effective and binding upon the DRC only when and to the extent that moneys have been appropriated for

that purpose and for that period. Under the Ohio Constitution, an appropriation may not be made beyond the fiscal biennium. In addition, the Lease may be renewed only for two-year periods. Accordingly, the DRC is obligated to make rental payments under the Lease only for two-year periods, to the extent moneys have been appropriated and are available.

Annually and on or before the first day of each Fiscal Year, the OPFC will submit, or cause to be submitted, to the DRC a written report, prepared and signed by the Treasurer and confirmed by the Director of the State's Office of Budget and Management on behalf of the OPFC, setting forth the rental to become due (subject to the lawful availability of appropriations for that rental) as of each rental payment date as established under Supplemental Leases during the ensuing three Fiscal Years. Prior to the issuance of any Additional Bonds, and upon any determination of the OPFC that a different amount than last reported will be required, the OPFC shall submit, or cause to be submitted, to the DRC a revised report, prepared, signed and confirmed as provided above, setting forth the updated required amount. Each revised report will from its date supersede the next previous report made. The DRC agrees that it will include in its estimated budget and in its certificates and supplemental certificates, as provided in Section 126.02 of the Revised Code, the amounts, at the dates, and for credit to the Special Funds and Accounts, as shown in the reports by the OPFC provided pursuant to the Lease.

Under the terms of the Lease, a failure by the General Assembly to appropriate moneys at least equal to Basic Rent under the Lease, amounts the Treasurer estimates are necessary for Additional Rent and other sums payable under the Lease for the next State fiscal biennium would result in the termination of the Lease at the end of the two-year term then in effect. The Lease will, however, be fully reinstated, as if it had never been terminated, provided the conditions set forth below under **Summary of the Lease – Reinstatement** are met.

The General Assembly may not make appropriations for a period longer than two years. While the Treasurer expects that, for each State fiscal biennium, the General Assembly will appropriate amounts to the DRC sufficient to make its rental payments to the Treasurer under the Lease consistent with the State budget, the General Assembly is not under a legal obligation to make appropriations in accordance with such State budgets for future State fiscal biennia. Accordingly, none of the Treasurer, the OPFC or the DRC can make any assurance that appropriations will be made. Section 2i of Article VIII of the Ohio Constitution and the Act provide that the Bondholders and book-entry interest owners of the Obligations will have no right to have excises or taxes levied by the General Assembly for the payment of Bond Service Charges on the Obligations.

Remedies

Under the Lease, the OPFC waives, relinquishes and releases any and all rights it may have of re-entry or to take or retake possession of any Project, and covenants and agrees not to exercise any such rights in the event of a failure to make payment of rentals, the occurrence of any other default by the DRC under the Lease, or the termination of the Lease for any reason. **Consequently, the OPFC does not have the remedies generally available to lessors upon default under or termination of a lease and the OPFC and the Treasurer may have no practical remedy to ensure that moneys are available for the payment of Bond Service Charges on the Series 2016 Bonds.**

Termination

If the DRC fails to exercise its right to renew the term of the Lease for any Renewal Term, the Lease will terminate at the end of the Renewal Term then in effect. The DRC will be deemed to exercise its renewal right upon the effectiveness of legislation enacted by the General Assembly appropriating sufficient funds to the DRC for the purpose of paying rentals under the Lease. In the event of such a termination of the Lease, the obligation of the DRC to make rental payments to provide moneys to pay Bond Service Charges on the Obligations would terminate. The Lease also terminates upon payment in full of all Obligations outstanding under the Trust Agreement and all obligations of the Treasurer to Financial Institutions providing Credit Enhancement Facilities in connection with the Obligations. Under the Act and the Trust Agreement, the Trustee may not take possession of, or operate, or sell the Projects in the event of a failure to pay Basic Rent or Additional Rent under the Lease or upon any termination of the Lease.

Reinstatement

Notwithstanding any termination of the Lease, if (a) all overdue installments, if any, of interest on outstanding Obligations, all principal of all Obligations then outstanding which have become due and payable otherwise than by acceleration, if any, in accordance with the terms of the Trust Agreement, and all other sums (including, without limitation, all obligations of the Treasurer to Financial Institutions) then payable under or pursuant to the Trust Agreement (except the principal of and the interest on such Obligations which by such acceleration shall have become due and payable) shall have been paid, and such acceleration, if any, shall have been duly rescinded and annulled, and (b) the General Assembly shall have

appropriated funds to enable the DRC to pay or provide for the payment of the amounts to be paid under the Lease as set forth in the latest revised report delivered pursuant to the Lease (which shall at least equal the amounts of Basic Rent payable) for the Initial Term or Renewal Term to be reinstated and the observation and performance of all covenants and agreements on the part of the DRC to be observed or performed under the Lease, then the Lease shall be fully reinstated, as if it had never been terminated.

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APPENDIX C

BOOK-ENTRY SYSTEM; DTC

The information set forth in the following numbered paragraphs is based on information provided by The Depository Trust Company in its "Sample Offering Document Language Describing Book-Entry-Only Issuance," Schedule A to Blanket Issuer Letter of Representations (labeled BLOR 06-2013). As such, the State and the Treasurer believe it to be reliable, but take no responsibility for the accuracy or completeness of that information. It has been adapted to the Series 2016 Bonds (the "Bonds") by substituting "Bonds" for "Securities," "Treasurer" for "Issuer" and "Trustee" for "registrar". See also the additional information following those numbered paragraphs.

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Series 2016 Bonds (the "Bonds"). The Bonds will be issued as fully-registered obligations 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 Bond, in the aggregate principal amount of such issue, and will be deposited with DTC.

2. DTC, the world's largest securities 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 Bond 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 a Standard & Poor's rating of AA+. 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.

3. 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.

4. 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.

5. 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. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents.

For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Trustee and request that copies of notices be provided directly to them.

6. 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.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Treasurer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend 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 Treasurer or his agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Treasurer or his agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Treasurer or his agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. A Beneficial Owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to the Tender Agent, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to the Tender Agent. The requirement for physical delivery of Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to the Tender Agent's DTC account.

10. DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Treasurer or his agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

11. The Treasurer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor Securities Depository). In that event, Bond certificates will be printed and delivered to DTC.

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

Direct Participants and Indirect Participants may impose service charges on Beneficial Owners in certain cases. Purchasers of book-entry interests should discuss that possibility with their brokers.

The State, the Treasurer and the Trustee have no role in the purchases, transfers or sales of book-entry interests. The rights of Beneficial Owners to transfer or pledge their interests, and the manner of transferring or pledging those interests, may be subject to applicable state law. Beneficial Owners may want to discuss with their legal advisors the manner of transferring or pledging their book-entry interests.

The State, the Treasurer and the Trustee have no responsibility or liability for any aspects of the records or notices relating to, or payments made on account of, beneficial ownership, or for maintaining, supervising or reviewing any records relating to that ownership.

The State, the Treasurer and the Trustee cannot and do not give any assurances that DTC, Direct Participants, Indirect Participants or others will distribute to the Beneficial Owners payments of debt charges on the Bonds made to DTC as the registered owner, or redemption, if any, or other notices, or that they will do so on a timely basis, or that DTC, Direct Participants or Indirect Participants will serve or act in a manner described in this Official Statement.

For all purposes under the Bond Proceedings (except the Continuing Disclosure Agreement under which others as well as DTC may be considered an owner or holder of the Bonds, see **CONTINUING DISCLOSURE AGREEMENT**), DTC will be and will be considered by the State, the Treasurer and the Trustee to be the owner or holder of the Bonds.

Beneficial Owners will not receive or have the right to receive physical delivery of Bonds, and, except to the extent they may have rights as Beneficial Owners or holders under the Continuing Disclosure Agreement will not be or be considered by the State, the Treasurer and the Trustee to be, and will not have any rights as, owners or holders of Bonds under the Bond Proceedings.

Reference herein to "DTC" includes when applicable any successor Securities Depository and the nominee of the depository.

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APPENDIX D

ALTERNATIVE TRADING SYSTEM; BIDDING PROCEDURES

Section 1. Certain Definitions.

All capitalized terms used, but not defined, in this APPENDIX D have the respective meanings assigned them in **APPENDIX B – GLOSSARY AND SUMMARIES OF THE TRUST AGREEMENT AND THE LEASE**, except that the following capitalized terms have the meanings specified below:

"All Sell Rate" means the greater of (i) the rate for the Clearing Market Rate Period immediately preceding the Bid Process Date plus 1.00% and (ii) the rate set forth in the table below determined based on the number of days since the day interest on the Series 2016 Bonds accrued at the All Sell Rate.

Time Period	Rate
From Day 1 to but excluding the first day of the next Clearing Market Rate Period, being the "Second Clearing Market Rate Period"	20% of the Maximum Rate
From Day 1 of the Second Clearing Market Rate Period to but excluding first day of the Third Clearing Market Rate Period	40% of the Maximum Rate
From Day 1 of the Third Clearing Market Rate Period to but excluding first day of the Fourth Clearing Market Rate Period	60% of the Maximum Rate
From Day 1 of the Fourth Clearing Market Rate Period to but excluding first day of the Fifth Clearing Market Rate Period	80% of the Maximum Rate
From Day 1 of the Fifth Clearing Market Rate Period and thereafter	100% of the Maximum Rate

"Alternative Trading System" means the bidding system known and operated as the Clarity BidRate Alternative Trading System[TM] and referred to herein as "C-BRATS".

"Authorized Users" means Persons authorized to act on behalf of Subscribers.

"Bid Process Date" means each Rate Determination Date.

"Bid To Buy Order" has the meaning set forth in Section 2(i)(A)(III) of this Appendix D.

"Bid To Roll Order" has the meaning set forth in Section 2(i)(A)(I) of this Appendix D.

"Bidder" has the meaning set forth in Section 2(i)(B) of this Appendix D.

"Clearing Market Rate" has the meaning set forth in Section 4 of this Appendix D.

"Clearing Market Rate Period" means a period of days in seven-day increments (e.g. 7, 14, 21 … 266) not to exceed 266 days.

"Compromised Bid Process" means that the Market Agent determines in its absolute and sole discretion that the Clearing Market Rate determined pursuant to the Alternative Trading System is deemed to have been determined incorrectly, whether as a result of an clerical error, unauthorized Orders, or other reason.

"Contractual Bidder" means the Liquidity Provider in its role as bidder on each Bid Process Date.

"Contractual Bidder Bonds" means the Series 2016 Bonds, which have been purchased by the Contractual Bidder because either (i) no Bid to Buy, Bid to Roll, or Hold-Auto Orders were submitted on the Bid Process Date, or (ii) the principal amount of the Series 2016 Bonds subject to Bid to Buy, Bid to Roll or Hold-Auto Orders was less than the principal amount of the Series 2016 Bonds subject to Sell Orders, and elsewhere herein may be referred to as Liquidity Provider Bonds.

"Existing Holder" means a Subscriber who is the Beneficial Owner of the Series 2016 Bonds.

"Good Until Cancelled or GTC" means a Bid to Buy or Bid to Roll Order which is submitted and is to remain in effect until executed or cancelled at the discretion of the Subscriber.

"Highest Market Bid Rate" means the highest rate based on the rates of Bid to Buy Orders, Bid to Roll Orders and Hold-Auto Orders.

"Hold-Auto Order" means an Order on behalf of an Existing Holder who has not submitted Orders on a Bid Process Date for the entire principal amount of Series 2016 Bonds held by such Existing Holder. Hold-Auto Orders will be submitted with a rate equal to the bid rate for the last executed Order, on an order to order basis, whether a Bid to Roll Order, Bid to Buy Order, an Hold-Auto Order or a purchase in the secondary market.

"Market Disruption Event" means that the Market Agent determines in its absolute and sole discretion that the Alternative Trading System is unable to accept Orders or otherwise function as expected, whether due to *force majeure* or otherwise, and a Clearing Market Rate is not determined on the Bid Process Date.

"Order" means a Bid To Buy Order, a Bid To Roll Order, Hold-Auto Order or a Sell Order, as applicable.

"Percentage Rate" means the percentage of a Qualified Benchmark as set forth in a Bid To Buy or a Bid To Roll Order.

"Qualified Benchmark" means any interest rate index which as of a Bid Process Date is compatible with the Alternative Trading System.

"Rate Determination Date" means the Business Day on which Orders are submitted and processed, and a new Clearing Market Rate is established.

"Rate Effective Date" means the Business Day immediately following the Rate Determination Date.

"Rate Publication Time" shall mean the earlier of (i) 30 minutes after the Submission Deadline and (ii) the time when the Market Agent confirms the results of the Bid Process to Subscribers within the Alternative Trading System.

"Sell Order" has the meaning set forth in Section 2(i)(A)(II) of this Appendix D.

"Spread Rate" means the number of basis points above or below a Qualified Benchmark as set forth in a Bid To Buy or a Bid To Roll Order.

"Subscriber" means any Person, including any Existing Holder, who has executed a Subscription Agreement permitting such Person to submit an Order on the Alternative Trading System.

"Submission Deadline" means 12:30 p.m., New York City time, on any Bid Process Date or such other time on any Bid Process Date by which Holders are required to submit Orders, as the case may be, pursuant to the Alternative Trading System.

Section 2. Orders by Existing Holders and Subscribers which are not Existing Holders.

While the Series 2016 Bonds are in the Alternative Trading System Mode, Orders for Series 2016 Bonds may be submitted through the Alternative Trading System. In order to submit an Order on the Alternative Trading System, a Person must be a Subscriber and each Order must be submitted by an Authorized User.

(i) Prior to the Submission Deadline on each Bid Process Date:

(A) Each Existing Holder may submit through the Alternative Trading System information as to:

(I) the principal amount of Series 2016 Bonds, if any, held by such Existing Holder which such Existing Holder desires to continue to hold together with the interest rate which may be expressed as a rate per annum, a Spread Rate or a Percentage Rate ("**Bid to Roll Order**");

(II) the principal amount of Series 2016 Bonds, if any, held by such Existing Holder which such Existing Holder offers to sell ("**Sell Order**");

(III) the principal amount of Series 2016 Bonds, if any, which such Existing Holder wishes to buy together with the interest rate which may be expressed as a rate per annum, a Spread Rate or a Percentage Rate ("**Bid to Buy Order**").

(B) For the purposes hereof, a submission on the Alternative Trading System to buy, hold or sell Series 2016 Bonds is hereinafter referred to as an "**Order**" and each Subscriber placing an Order is hereinafter referred to as a "**Bidder**".

(ii) (A) A Sell Order by an Existing Holder shall constitute an offer to sell the principal amount of outstanding Series 2016 Bonds specified in such Sell Order.

(B) A Bid To Buy Order by a Subscriber shall constitute an offer to purchase the principal amount of Series 2016 Bonds specified in such Bid To Buy Order if the Clearing Market Rate determined on such Bid Process Date shall be equal to or higher than the rate per annum specified in such Bid To Buy Order not to exceed the Maximum Rate.

Section 3. Submission of Orders.

(i) Subscribers may submit, prior to the Submission Deadline on each Bid Process Date, Orders for Series 2016 Bonds through the Alternative Trading System on each Bid Process Date, and each Order must specify:

(A) the aggregate principal amount of Series 2016 Bonds that are the subject of such Order;

(B) to the extent that such Subscriber is an Existing Holder:

(I) the principal amount of Series 2016 Bonds, if any, subject to any Bid To Roll Order placed by such Existing Holder;

(II) the principal amount of Series 2016 Bonds, if any, subject to any Sell Order placed by such Existing Holder; and

(III) the principal amount of Series 2016 Bonds, if any, subject to any Bid To Buy Order placed by such Existing Holder.

(ii) Bids may contain up to three figures to the right of the decimal point.

(iii) If an Existing Holder does not submit an Order or Orders through the Alternative Trading System prior to the Submission Deadline for an aggregate principal amount of Series 2016 Bonds equal to the principal amount of Series 2016 Bonds held by such Existing Holder as of a Submission Deadline, then such Existing Holder shall be deemed to have also submitted a Hold-Auto Order for a principal amount of Series 2016 Bonds equal to the difference between the principal amount of Series 2016 Bonds then held by such Existing Holder and the aggregate principal amount of Series 2016 Bonds for which an Order or Orders have been submitted by such Existing Holder.

(iv) Sell Orders, Bid to Roll and Hold-Auto Orders submitted to the Alternative Trading System on behalf of an Existing Holder will not be accepted for a principal amount of Series 2016 Bonds greater than the principal amount of Series 2016 Bonds held by such Existing Holder as of a Submission Deadline.

(v) If more than one Bid To Buy Order is submitted on behalf of a Subscriber, each Bid To Buy Order submitted with the same rate shall be aggregated into a single Bid To Buy Order for such Subscriber. If more than one Bid To Buy Order is submitted on behalf of a Subscriber but such Orders are submitted for separate sub-accounts, then each such Bid To Buy Order shall be a separate Bid To Buy Order with the rate per annum and principal amount of Series 2016 Bonds specified.

(vi) No Orders will be accepted for a Bid Process Date after the Submission Deadline.

(vii) No Bid to Buy Orders will be accepted for a principal amount of Series 2016 Bonds in excess of the principal amount of Series 2016 Bonds shown on Alternative Trading System on the Bid Process Date.

(viii) Any Order submitted through the Alternative Trading System prior to the Submission Deadline shall become irrevocable upon the occurrence of the Submission Deadline.

(ix) Orders submitted as either a Percentage Rate or a Spread Rate will be converted to a numeric bid on the Bid Process Date based on the most recent publicly available value of the Qualified Benchmark, except in the case of Hold-Auto Orders, referenced in the Order and the percentage or spread specified in the Order.

(x) If a Hold-Auto Order is submitted on behalf of an Existing Holder and the Existing Holder's most recent Bid To Buy Order was expressed as a Percentage Rate or a Spread Rate, then the rate set forth in the Hold-Auto Order will be numeric bid set forth in the Existing Holder's most recent Bid To Buy Order and be based on the value of the Qualified Benchmark determined at the time such Bid To Buy Order was submitted.

Section 4. Determination of Clearing Market Rate; Clearing Market Rate Period.

(i) The Clearing Market Rate shall be established in a bid process which is held on the Alternative Trading System. The Clearing Market Rate will be the lowest interest rate at which the entire principal amount of Series 2016 Bonds shown on the C-BRATS system would be sold. All Beneficial Owners will receive the Clearing Market Rate. The Clearing Market Rate shall not exceed the Maximum Rate.

(ii) The Clearing Market Rate Period may be selected by the Treasurer by giving notice to the Market Agent before 4:00 p.m. New York City time on any Business Day at least ten (10) Business Days preceding a Bid Process Date. The selection of a new Clearing Market Rate Period that is different from the immediately prior Clearing Market Rate Period shall not constitute a Conversion. The Clearing Market Rate Period shall remain in effect and continue for successive periods of the same 7-day increments until the Treasurer selects a different Clearing Market Rate Period as aforesaid.

Section 5. Acceptance and Rejection of Bid To Buy Orders, Bid To Roll Order, Hold-Auto Orders and Sell Orders and Allocation of Series 2016 Bonds.

Bid To Buy Orders, Bid To Roll Orders, Hold-Auto and Sell Orders shall be accepted or rejected as follows:

(i) If the principal amount of Series 2016 Bonds that are the subject of Bid To Buy, Bid To Roll and Hold-Auto Orders equals or exceeds the principal amount of Series 2016 Bonds shown on the Alternative Trading System on a Bid Process Date, subject to the provisions of Section 5(iii) of this Appendix D, Buy Orders and Sell Orders shall be accepted or rejected in the following order of priority and all other Submitted Bids shall be rejected:

(A) the Bid to Roll Orders of Existing Holders shall be accepted, thus requiring each such Existing Holder to hold the Series 2016 Bonds that are the subject of such Bid to Roll Order;

(B) the Bid To Buy Orders specifying any rate per annum that is equal to or lower than the Clearing Market Rate shall be accepted, thus requiring such Subscriber to purchase Series 2016 Bonds that are the subject of such Bid To Buy Order; and

(C) the Hold-Auto Orders specifying any rate per annum that is equal to or lower than the Clearing Market Rate shall be accepted, thus requiring such Existing Holder to hold Series 2016 Bonds that are the subject of such Hold-Auto Order.

(ii) If the principal amount of Series 2016 Bonds that are the subject of Bid To Buy, Bid To Roll and Hold-Auto Orders is less than the principal amount of Series 2016 Bonds shown on the Alternative Trading System on a Bid Process Date, subject to the provisions of Section 5(iii), Orders shall be accepted or rejected as follows in the following order of priority:

(A) each Bid To Roll Order of each Existing Holder shall be accepted, thus requiring each such Existing Holder to continue to hold the Series 2016 Bonds that are the subject of such Bid To Roll Order;

(B) each Bid To Buy Order of each Subscriber which is not an Existing Holder specifying any rate per annum that is equal to or lower than the Maximum Rate shall be accepted, thus requiring such Subscriber to purchase the outstanding Series 2016 Bonds that are the subject of such Bid To Buy Order;

(C) each Hold-Auto Order of each Existing Holder specifying any rate per annum that is equal to or lower than the Maximum Rate shall be accepted, thus requiring such Existing Holder to hold the outstanding Series 2016 Bonds that are the subject of such Hold-Auto Order; and

(D) each Sell Order which has not been filled from Orders described in clauses (A), (B) and (C) above in this Section 5(ii) shall be accepted by the Contractual Bidder.

(iii) Contractual Bidder Bonds will be subject to Sell Orders on each Bid Process Date, with Series 2016 Bonds which have been Contractual Bidder Bonds for the longest period of time being sold before Series 2016 Bonds which have been Contractual Bidder Bonds for a shorter period of time.

(iv) An order that sets the Clearing Market Rate may be subject to a partial allocation. If there are multiple Orders at the Clearing Market Rate, each Order may potentially be subjected to a pro-rata allocation.

Section 6. Good Until Cancelled Orders.

A Bid To Buy Order submitted on a Good Until Cancelled, or GTC, basis will remain in effect until the Order is executed in full or cancelled by the Subscriber. A Bid To Roll Order submitted on a Good Until Cancelled, or GTC, basis will remain in effect until the Order is cancelled by the Subscriber.

Section 7. Bid from Contractual Bidder.

The Contractual Bidder has contractually agreed, subject to the terms of the Liquidity Facility, that on each Bid Process Date it is deemed to have submitted a Bid To Buy Order for all Series 2016 Bonds at the Highest Market Bid Rate, or if there is no Highest Market Bid Rate, at the All Sell Rate. Subject to the terms and conditions of the Liquidity Facility, the Contractual Bidder's Bid to Buy Order on each Bid Process Date is absolute and unconditional.

Section 8. Market Disruption Event; Suspension of Trading; Modification of Orders; Compromised Bid Process; Bid Process Re-Opening; Erroneous Trades.

The Market Agent may, in its absolute and sole discretion, halt or suspend the submission or processing of Orders on C-BRATS, halt or suspend activity in any bonds or other securities on C-BRATS, including the Series 2016 Bonds, or make modifications to C-BRATS. The Market Agent shall provide reasonably prompt notice of any such action, but notice may be provided after the taking of any such action. In addition to and not in lieu of the foregoing, the Market Agent may modify the terms of or cancel an Order or a transaction executed through C-BRATS if the Market Agent determines, in its absolute and sole discretion, that such transaction was erroneous for any reason, including, without limitation, due to an erroneous entry of an Order or through the erroneous execution of a transaction by C-BRATS, and the Market Agent shall provide Subscriber reasonably prompt notice of each such modification or cancellation. Neither the Treasurer nor the Market Agent shall have liability to a Subscriber as a result of the Market Agent's decision to exercise its rights (or its failure to exercise its rights) under this Section 8. **SUBSCRIBER SHALL BE DEEMED TO HAVE AGREED THAT, WITHOUT LIABILITY TO ANY PERSON, THE MARKET AGENT RETAINS THE RIGHT TO: (1) REJECT ANY ORDER IN ITS ABSOLUTE AND SOLE DISCRETION AND (2) CANCEL ANY ORDER OR BREAK ANY TRANSACTION IN ACCORDANCE WITH THE TERMS OF THIS AGREEMENT OR IF SUCH ORDER OR TRANSACTION, IN THE MARKET AGENT'S ABSOLUTE AND SOLE DISCRETION, VIOLATES APPLICABLE LAW.**

The Market Agent may consult with counsel of its choice regarding action to be taken by the Market Agent hereunder or under any documentation relating to C-BRATS, and the advice of such counsel shall be deemed full and complete authorization by a Subscriber in respect to any action so taken, suffered or omitted by the Market Agent or the Treasurer hereunder in reliance thereon.

In addition, each Subscriber acknowledges and agrees that the bid process and rate reset mechanism effected on any given day may be re-run in the event of a Compromised Bid Process, which may result in a rate being set as the Clearing Market Rate that is different than the bid process results and different than the rate which may otherwise have been the Clearing Market Rate. Each Subscriber further acknowledges and agrees that in the event of a Compromised Bid Process, the Market Agent will endeavor to notify all Subscribers of a Bid Process Re-Opening. For purposes hereof, a "**Bid Process Re-Opening**" shall result in the re-bidding of the Series 2016 Bonds within approximately sixty (60) minutes from the time the Market Agent determines that a Compromised Bid Process occurred. Upon the occurrence of a re-bidding of the Series 2016 Bonds, Subscribers may place new, or modify existing, Orders on such Series 2016 Bonds. In such instances, the term "Submission Deadline" as used herein shall be deemed a reference to the new Submission Deadline established in connection with the re-bidding process for purposes of this Agreement.

If a Market Disruption Event occurs in connection with a Bid Process Date, the Clearing Market Rate set on the previous Rate Determination Date will apply for the next Clearing Market Rate Period. All securities that were to reset and were to have an interest rate period of longer than seven (7) days, will be automatically converted without action by the Treasurer to a period with a duration of seven (7) days, so that the next Bid Process Date will occur seven (7) days after the Bid Process Date on which the Market Disruption Event occurred.

Section 9. Settlement.

Settlement for Series 2016 Bonds purchased through the Alternative Trading System will be made one (1) Business Day after the Bid Process Date. Promptly following the Rate Publication Time on a Rate Determination Date, the Market Agent shall notify the Contractual Bidder of the amount of Contractual Bidders Bonds to be purchased by the Contractual Bidder on the following Rate Effective Date. Not later than 10:30 a.m., New York City time on a Rate Effective Date, the Market Agent shall notify the Contractual Bidder of the amount of Contractual Bidders Bonds to be purchased by the Contractual Bidder and which were not remarketed as of such time. The Contractual Bidder, subject to Section 9(b) of the Series 2016C Bond Order, shall provide funds to settle its purchase of the Contractual Bidder Bonds by 2:00 p.m., New York City time, on such Rate Effective Date.

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APPENDIX E

FORM OF SUBSCRIBER AGREEMENT

Clarity BidRate Alternative Trading System^{SM} Subscriber Agreement

This Clarity BidRate Alternative Trading System^{SM} Subscriber Agreement ("**Agreement**") is made as of , 201__ ("**Effective Date**"), by and between Arbor Research & Trading, LLC, a Delaware limited liability company ("Market Agent"), and [_____], a **[state of organization and type of entity]** ("**Subscriber**") (each, a "**Party**"; together, the "**Parties**"), and governs, among other things, the transmission of bids, orders and instructions to purchase or sell Eligible Securities (as defined below) by Subscriber (each, an "**Order**" and collectively, "**Orders**") for execution on or through Market Agent's alternative trading system, the Clarity BidRate Alternative Trading System^{SM} ("**C-BRATS^{SM}**").

1. **DESCRIPTION OF SERVICES**

1.1 C-BRATS^{SM} is a web-based, real-time, universal trading platform for trading biddable variable rate debt securities and other types of fixed income debt securities that Clarity may make available on C-BRATS^{SM} (each, an "**Eligible Security**" and collectively, "**Eligible Securities**"). Subject to the terms and conditions of this Agreement, Market Agent shall provide Authorized Users (defined below) electronic access to C-BRATS^{SM} (such access to C-BRATS^{SM}, together with other services provided by Market Agent and specified herein, collectively, the "**Services**"), for (i) entering, posting and/or transmitting, cancelling or modifying bids and offers, and executing Orders through C-BRATS^{SM} for Eligible Securities; (ii) searching for offerings (iii) viewing rate histories/access to market data (iv) analytical tools and(v) any additional functionality that Market Agent may make available on C-BRATS^{SM}. The Services will be provided through Market Agent, either directly or under license from other Affiliates or third parties ("**Service Providers**"), and may also include (i) the distribution to Subscriber of market data; (ii) trade-related information, services and/or software; and (iii) analytical tools.

1.2 Subscriber acknowledges and agrees that no Eligible Securities acquired by Subscriber executing a transaction on C-BRATS^{SM} will be sold other than by placing and executing an Order to sell such Eligible Securities on C-BRATS^{SM}. Subscriber shall promptly notify Market Agent of any transfer of such Eligible Securities from Subscriber's account and provide the name and relevant account information of such transferee. Upon termination of this Agreement for any reason, Subscriber shall work in good faith with Market Agent to effect the transfer or orderly liquidation of Subscriber's holdings, if any, of Eligible Securities.

1.3 Market Agent may from time to time, in its sole discretion and without incurring any liability to Subscriber, periodically conduct maintenance of, and make additions, deletions or modifications to, the Services or any part thereof.

2. **USE OF SERVICES**

2.1 Market Agent grants Subscriber, for the term of this Agreement, a personal, limited, nonexclusive, revocable, nontransferable and nonsublicenseable license to Use, and allow Authorized Users to Use (defined below), the Services pursuant to the terms of this Agreement. Subscriber agrees it may Use, and allow Authorized Users to Use, the Services only as expressly permitted by Market Agent hereunder, and that Subscriber may not cause harm to the Services; specifically, but not by way of limitation, Subscriber shall not, and shall not allow others to, (i) interfere with the Services by using programs or technology designed to disrupt or damage any data, software or hardware, (ii) modify, create derivative works from, reverse engineer, decompile or disassemble any technology used to provide the Services, (iii) use a robot, spider or other device or process to monitor the activity on or copy pages from the Services, (iv) engage in any activity that interferes with another user's ability to Use or enjoy the Services, or (v) assist or encourage any third party in engaging in any activity prohibited by Market Agent hereunder;

2.2 The Services are provided solely for Subscriber's internal use (except as specifically provided herein), and Subscriber may not sell, lease, furnish or otherwise provide access to C-BRATS^{SM} or Services

to any other person. Subscriber shall at all times be responsible for Authorized Users' actions, including Authorized Users' Use of the Services hereunder, and each Authorized User shall be bound by the terms hereof applicable to Subscriber. Subscriber shall comply, and shall cause Authorized Users to comply, with any additional restrictions on its usage that Market Agent may communicate to Subscriber from time to time, or that are otherwise the subject of an agreement between Subscriber and such Service Providers. Market Agent shall grant Subscriber such access to and Use of the Services on the condition that Subscriber:

(a) shall use the Services only in the ordinary course of its own business for its own internal use;

(b) shall not interfere with the Services by using programs or technology designed to disrupt or damage any data, software or hardware or any part thereof, or engage in any activity that interferes with another user's ability to use or enjoy the Services, or assist or encourage any third party in engaging in any activity prohibited by Market Agent hereunder;

(c) acknowledges and agrees that it has received access to and read the user guide, documentation, Issuance Documents, and technical information provided by Market Agent to Subscriber in written or electronic form for use in connection with C-BRATS^{SM}, as may be updated from time to time by Market Agent (collectively, the "**C-BRATS^{SM} Materials**");

(d) acknowledges and/or agrees that it (i) will, and will require all Authorized Users whom Subscriber has authorized to access C-BRATS^{SM} and/or transmit Orders to C-BRATS^{SM} to, act in accordance with this Agreement and the C-BRATS^{SM} Materials, and(ii) will not (1) alter any information, reports or data supplied to or received as part of the Services, (2) affect the integrity of the Services, including the information or data therein, or (3), supply to or render information or data from the Services that is illegal, discriminatory or knowingly inaccurate;

(e) agrees that Market Agent may, from time to time, amend or modify C-BRATS^{SM} Materials upon reasonable written notice to Subscriber; and

(f) shall obtain and maintain all legal and regulatory approvals, consents, authorizations, registrations, memberships and licenses required for the conduct of its activities.

2.3 Subscriber shall be solely responsible for any software and equipment necessary for Subscriber to access and Use the Services ("**Subscriber System**"), and Market Agent shall have no responsibility or liability in connection therewith. In the event the Subscriber System is incompatible with, or impairs Subscriber's Use of, the Services, Subscriber shall nonetheless be liable for Subscriber's use of (or inability to use) the Services. Market Agent will provide Subscriber with information relating to accessing the Services, including, but not limited to, application programming interfaces.

2.4 Subscriber shall not allow any person other than an Authorized User authorized by Subscriber in writing to Market Agent and listed on Schedule 1 hereto, which shall be updated by the Parties from time to time to reflect the then-current list of Authorized Users. Subscriber shall promptly notify Market Agent of any changes to the authority of an Authorized User. Each Authorized User will be assigned a user name and password pursuant to this Agreement. Logins are not transferrable. Subscriber acknowledges and agrees that Market Agent may monitor use of the Services for compliance with all Applicable Laws and this Agreement. Subscriber will supply Market Agent with all information that Market Agent may reasonably request in writing relating to Subscriber's use of the Services. Market Agent may report this information to regulatory authorities, as it reasonably determines to be necessary or otherwise required.

2.5 Subscriber acknowledges and agrees that Market Agent cannot guarantee that Subscriber will not experience any downtime, delays or disruptions in its Use of the Services or posting of bidding results, and no course of dealing shall be construed as such a guarantee.

2.6 Subscriber will not, without Market Agent's prior written consent, use in conjunction with the Services an automated input facility, an "electronic eye" or any other analogous system which is capable, without manual intervention, of submitting, changing or affecting executions of Orders.

3. ORDERS AND TRANSACTIONS

3.1 Orders will be entered into C-BRATS^{SM} as described in the C-BRATS^{SM} Materials. Market Agent shall have no responsibility or liability for transmissions that are inaccurate or not received by C-BRATS^{SM}, and Market Agent may execute any transaction on the terms of any Order actually received by C-BRATS^{SM}. Subscriber acknowledges and agrees that it is solely responsible for ensuring the accuracy and completeness of each Order entered into C-BRATS^{SM}. Subscriber will be bound by the terms of any Order submitted through C-BRATS^{SM} and by any resulting transactions even if such Order was not authorized by Subscriber. If necessary, Market Agent will use commercially reasonable efforts to implement a verbal instruction validly given by Subscriber to modify, replace or cancel an Order before execution, Subscriber acknowledges and agrees that such efforts may not be effective, that an execution may be performed on the original terms of such Order, and that Market Agent shall have no liability to Subscriber, any Authorized User or any third party for any failure of Market Agent or C-BRATS^{SM} in implementing Subscriber's instruction to modify, replace or cancel an Order. Subscriber acknowledges and agrees that any action by Subscriber or any Authorized User to modify, replace or cancel an Order submitted to C-BRATS^{SM} by communicating with Market Agent through means other than as described herein may be ineffective and that Subscriber shall remain solely responsible and liable for any transactions executed on such Order.

3.2 Subscriber agrees that any Order entered by Subscriber or any Authorized User into C-BRATS^{SM} shall be eligible for execution at any time until such Order has expired by its terms, is cancelled in accordance with this Agreement, or is executed. An Order shall be deemed received by C-BRATS^{SM} when such Order is saved and "time-stamped" by C-BRATS^{SM}. Subscriber understands and agrees that during periods of heavy trading volume, Orders (including instructions to modify, replace or cancel an Order) may take longer to execute and process through C-BRATS^{SM}, and Market Agent shall have no liability to Subscriber or its customers for any transactions executed for any such Order.

3.3 Subscriber agrees to notify Market Agent if there are any discrepancies between Subscriber's Eligible Securities Positions as reflected in C-BRATS^{SM} ("**Positions**") and Subscriber's internal books and records, such notification to be given as soon as possible, but in any event prior to the submission deadline for Subscriber to enter an Order (the "**Submission Deadline**") for each Eligible Security on each Bid Process Date. Subscriber acknowledges and agrees that Orders for any Eligible Security must be submitted on or before the Submission Deadline for such Eligible Security. When applicable, Market Agent will endeavor to alert Subscriber of upcoming Submission Deadline(s) for Eligible Securities then owned by Subscriber (according to C-BRATS^{SM}) to prompt Subscriber, to submit Orders for each such Eligible Security, and, when applicable, a Hold-Auto Order (defined below) will be submitted unless the Subscriber submits Orders for the entire principal amount of Eligible Securities held by such Subscriber prior to the Submission Deadline. Although Market Agent will endeavor to provide the notifications set forth herein, Subscriber acknowledges that there is no guarantee that such notifications will be given, and in a timely manner. Subscriber acknowledges and agrees that Orders may be entered by the Issuer for its own bonds, and, when applicable, Orders will be entered for each deal by the respective liquidity provider.

3.4 **SUBSCRIBER ACKNOWLEDGES AND AGREES THAT CERTAIN ELIGIBLE SECURITIES CONTROLLED BY SUBSCRIBER MUST HAVE A BID ASSIGNED TO THEM AS OF EACH SUBMISSION DEADLINE.** Regardless of any of the above notifications being given, if Subscriber takes no action on any such Eligible Security as of any Submission Deadline, then C-BRATS^{SM} shall, as of the Submission Deadline, enter a bid for each such Eligible Security identical to the previous week's bid rate for such Eligible Security ("**Hold-Auto Order**"), which may be deemed a Sell Order, resulting in the sale of any such Eligible Security. Subscriber is responsible at all times for ensuring the accuracy of its Positions, and will not enter Orders on C-BRATS^{SM} to sell Eligible Securities that are not then controlled by Subscriber.

3.5 Subscriber acknowledges and agrees that Market Agent will be a party to buy and sell Orders effected through C-BRATS^{SM}, and that Market Agent, acting through its clearing bank, is the clearing firm for purposes of settlement and clearing of all transactions hereunder, except as otherwise expressly agreed between

the Parties in writing. Subscriber agrees that Subscriber, and not Market Agent, is solely responsible for the review of the Issuance Documents pertaining to each Eligible Security, and for any investment or trading decisions made by it with respect to Orders entered. Subscriber will, and will cause its Authorized Users to, use the Services, enter Orders and execute transactions only for its own benefit and account(s) under its management and will not use the Services on behalf of third parties (other than its customers, if Subscriber is a broker-dealer, investment manager, investment advisor, bank or trust company) without Market Agent's prior written permission.

3.6 Upon request by Subscriber, Market Agent will investigate any transaction occurring on C-BRATS^{SM} that has failed to settle in the reasonable and customary fashion of any broker/dealer.

3.7 Subscriber acknowledges and agrees that Market Agent may, from time to time, provide a list of holders of each Eligible Security to the issuer of such Eligible Security, unless Subscriber timely notifies Market Agent in writing of Subscriber's objections.

4. SUSPENSION OF TRADING; ERRONEOUS TRADES; TRADING LIMITS

4.1 Market Agent may, in its reasonable sole discretion, upon reasonable notice where possible, halt or suspend trading on C-BRATS^{SM}, halt or suspend activity in any Eligible Securities on C-BRATS^{SM} or make modifications to C-BRATS^{SM}. In addition to and not in lieu of the foregoing, Market Agent may modify the terms of or cancel an Order or a transaction executed through C-BRATS^{SM} if Market Agent determines, in its sole and reasonable discretion, that such transaction was clearly erroneous for any reason, including, without limitation, due to the erroneous entry of an Order or the erroneous execution of a transaction by C-BRATS^{SM}, and Market Agent shall provide Subscriber reasonably prompt notice of each such modification or cancellation. Market Agent shall have no liability to Subscriber as a result of its decision to exercise its rights (or its failure to do so) under this Section 4. **SUBSCRIBER AGREES THAT, WITHOUT LIABILITY TO SUBSCRIBER OR TO ANY OF SUBSCRIBER'S AUTHORIZED USERS OR CUSTOMERS, MARKET AGENT RETAINS THE RIGHT TO (1) REJECT ANY ORDER IN ITS SOLE DISCRETION AND (2) CANCEL ANY ORDER OR VOID ANY TRANSACTION IN ACCORDANCE WITH THE TERMS OF THIS AGREEMENT OR IF SUCH ORDER OR TRANSACTION, IN MARKET AGENT'S REASONABLE SOLE DISCRETION, VIOLATES APPLICABLE LAW.**

4.2 Market Agent may consult with counsel of its choice regarding action to be taken by Market Agent hereunder or under any documentation relating to C-BRATS^{SM}, and the advice of such counsel shall be deemed full and complete authorization by Subscriber in respect to any action so taken, suffered or omitted by Market Agent hereunder in reliance thereon. In addition, Subscriber acknowledges and agrees that the bid process and rate reset mechanism effected on any given day may be re-run in Market Agent's reasonable sole discretion, and upon reasonable notice where possible, due to clerical errors or Force Majeure (defined below) or in any situation in which C-BRATS^{SM} is compromised or interrupted (collectively, a "**Compromised Bid Process**"), which may result in an erroneous Clearing Market Rate being determined. Subscriber further acknowledges and agrees that in the event of a Compromised Bid Process, Market Agent may, in its reasonable sole discretion, upon reasonable notice where possible, re-open the bid process for such Eligible Security for sixty (60) continuous minutes (a "**Bid Process Re-Opening**"). A Bid Process Re-Opening shall result in the potential re-bidding of the Eligible Security during an extended Submission Deadline, which extended Submission Deadline shall be extended up to sixty (60) minutes from the time Market Agent initiates the Bid Process Re-Opening. Upon the occurrence of a Bid Process Re-Opening, Subscriber may place new, or modify existing, Orders on such Eligible Security. In such instances, the term "Submission Deadline" as used herein shall be deemed a reference to the new Submission Deadline extended in connection with the Bid Process Re-Opening for purposes of this Agreement. The inability of a Bid Process Re-Opening to be effected uninterrupted for sixty (60) continuous minutes shall be deemed a Clarity Market Disruption Event, and Section 4.3 shall apply.

4.3 If a Clarity Market Disruption Event occurs on a Bid Process Date for any Eligible Security, and as a result a new Clearing Market Rate for such Eligible Security cannot be established through the bid process, then the Clearing Market Rate to be set for such Eligible Security as of such Bid Process Date shall be the same Clearing Market Rate that applied immediately prior to such Bid Process Date; provided, however, that if such Eligible Security was to have an Interest Rate Period (as set forth in the Issuance Documents) of longer than seven (7) calendar days, the Interest Rate Period to which such newly established Clearing Market Rate shall apply will be

automatically converted without action by the Issuer to an Interest Rate Period with a duration of seven (7) calendar days, so that the next Bid Process Date for such Eligible Security will occur seven (7) calendar days after the Bid Process Date on which the newly established Clearing Market Rate was set as provided in this Section 4.3.

5. USE AND OWNERSHIP OF C-BRATS^{SM} DATA

5.1 Subscriber acknowledges that, as between Subscriber and Market Agent, Market Agent and its Service Providers (defined below) own all right, title and interest, including all intellectual property rights, in the Services, C-BRATS^{SM} and C-BRATS^{SM} Materials, and all trademarks or trade names used in connection with C-BRATS^{SM}, along with any data entered into or produced by or for C-BRATS^{SM} (collectively, "**C-BRATS^{SM} Data**"). Market Agent grants Subscriber a non-transferable, royalty-free license during the term of this Agreement to use the C-BRATS^{SM} Data that is provided to Subscriber according to the terms of this Agreement solely (i) for its internal business purposes in connection with Subscriber's Use of C-BRATS^{SM} as permitted herein, (ii) as reasonably necessary to comply with any Applicable Law or request from any regulatory agency or other governing body, or (iii) as reasonably necessary to carry out its obligations and responsibilities under this Agreement.

5.2 Subscriber acknowledges and agrees that this Agreement does not convey or grant to Subscriber or any Authorized User any proprietary rights in the Services, C-BRATS^{SM} Data, any other third-party services or facilities provided or arranged by Market Agent as part of or in connection with the Services, any reports, documentation or data distributed by Market Agent or any quotations and other transaction data and information included as part of the Services, and all intellectual property rights associated therewith are expressly reserved by Market Agent or by any applicable Service Providers selected by Market Agent or their respective licensors. Subscriber agrees not to violate those property rights and to honor and comply with Market Agent's reasonable requests to provide information and other reasonable assistance to Market Agent, at Market Agent's sole expense, as may be necessary to protect its and its Service Providers' contractual, statutory and common-law rights. Subscriber shall notify Market Agent in the event it becomes aware of any violation by any of its officers, directors, employees or agents of Market Agent's or its Service Providers' proprietary rights in the Services or the C-BRATS^{SM} Data.

6. SECURITY OBLIGATIONS

6.1 Responsibilities of Subscriber. Subscriber shall ensure that it has implemented commercially-reasonable security systems and procedures to prevent unauthorized use or misuse of the Services and that such systems and procedures are consistent with its standard security procedures. These systems and procedures shall include at a minimum:

(a) establishing and maintaining commercially reasonable procedures to ensure that C-BRATS^{SM} is accessed and Used only by Authorized Users;

(b) informing Authorized Users of Subscriber's obligations under this Agreement and the C-BRATS^{SM} Materials, and taking reasonable steps to ensure that Authorized Users comply with such obligations and all Applicable Laws;

(c) taking reasonable steps to ensure that each Authorized User uses only his/her own login and password to access C-BRATS^{SM}; and

(d) using commercially-reasonable anti-virus software and security measures to prevent any virus from adversely affecting C-BRATS^{SM}.

6.2 Subscriber shall be responsible for all acts and omissions of Authorized Users, or of any person using a current User ID or password allocated to Subscriber or any Authorized User, which shall be deemed to be acts or omissions of Subscriber.

6.3 Subscriber shall immediately cease access to and Use of C-BRATS^{SM} by Subscriber and all Authorized Users if notified by Market Agent, or if it otherwise becomes aware of, or suspects, a technical failure of security breach involving C-BRATS^{SM}. Subscriber shall immediately notify Market Agent of such a failure or

breach involving C-BRATS^{SM}. Subscriber shall also promptly notify Market Agent in the event any Authorized User is no longer authorized to access or Use C-BRATS^{SM}. Subscriber will prohibit such Authorized User from further Use of C-BRATS^{SM}. Market Agent shall have the right, in its sole discretion, to prevent access to and Use of C-BRATS^{SM} by such Authorized User, but in any event, Subscriber shall remain responsible for such Authorized User's access to or Use of the Services.

7. **LIMITATION OF LIABILITY**

7.1 Subscriber acknowledges and agrees that:

(a) Market Agent shall have no liability to Subscriber, any Authorized User or any third party for any failure or mistake of Market Agent or C-BRATS^{SM} in implementing Subscriber's verbal instruction to modify, replace or cancel an Order;

(b) Subscriber agrees that it is solely responsible for any investment or trading decisions made by it with respect to Orders entered for Eligible Securities and that Market Agent will not be responsible for determining the suitability, appropriateness or advisability of any transaction Subscriber may enter into hereunder or by Use of the Services;

(c) except as expressly provided in this Agreement, Market Agent is not liable in any manner to any person (including but not limited to Subscriber, Authorized Users and Subscriber's customers) for the failure of such person to perform its obligations under any Order or transaction;

(d) this Agreement sets out all the duties of Market Agent and its Affiliates and Service Providers in relation to this Agreement. Market Agent and its Affiliates and Service Providers shall have no further duties, implied or otherwise, to Authorized Users or Subscriber in relation to the subject matter of this Agreement;

(e) Subscriber shall be responsible and liable for any damages to Market Agent from the use of C-BRATS^{SM}, including where Subscriber fails to follow, or deviates from, the terms of this Agreement or C-BRATS^{SM} Materials, including failure to honor any transactions consummated on C-BRATS^{SM}; and

(f) neither Market Agent nor any of its Affiliates or Service Providers will have any obligation or liability in respect of or be responsible for, or otherwise be deemed to guarantee, the performance of any transaction entered into by Subscriber through the use of the Services. Market Agent shall not be liable for, and Subscriber will not, and will not permit Authorized Users to, bring any legal action, whether in tort, including negligence, breach of contract or otherwise, against Market Agent or any of its Affiliates or Service Providers alleging damages for the failure of any counterparty to perform or otherwise settle a transaction entered into by Subscriber using the Services.

7.2 **TO THE MAXIMUM EXTENT PERMITTED BY LAW, EXCEPT FOR INDEMNITY OBLIGATIONS AND BREACHES OF SPECIFIC CONFIDENTIALITY OBLIGATIONS HEREUNDER, IN NO EVENT SHALL MARKET AGENT, OR ANY OF ITS AFFILIATES, SERVICE PROVIDERS OR VENDORS OR THEIR RESPECTIVE OFFICERS, DIRECTORS, EMPLOYEES OR AGENTS, BE LIABLE TO SUBSCRIBER OR ITS CUSTOMERS OR AUTHORIZED USERS FOR ANY LOSS, INCLUDING, BUT NOT LIMITED TO, DIRECT, INDIRECT, INCIDENTAL, SPECIAL, PUNITIVE OR CONSEQUENTIAL DAMAGES OR LOST OR IMPUTED PROFITS OR ROYALTIES, LOST DATA, LOSS OF BUSINESS, OR COST OF PROCUREMENT OF SUBSTITUTE GOODS OR SERVICES ARISING OUT OF OR RELATED TO: (i) THE USE OF THE SERVICES; OR (ii) THIS AGREEMENT. IN ADDITION, NONE OF MARKET AGENT, ITS AFFILIATES OR ITS SERVICE PROVIDERS SHALL HAVE ANY LIABILITY TO SUBSCRIBER FOR THE FAILURE OF C-BRATS^{SM} TO TIMELY EXECUTE AND PROCESS ORDERS OR OF ANOTHER SUBSCRIBER, CUSTOMER OR OTHER PERSON TO CONCLUDE TRANSACTIONS OR TO OBSERVE ANY APPLICABLE LAW, OR TO PAY REQUISITE TAXES OR OTHER CHARGES ON ANY TRANSACTIONS, OR TO ACT IN**

ACCORDANCE WITH THE PROVISIONS OF THIS AGREEMENT. EXCEPT FOR INDEMNITY OBLIGATIONS AND BREACHES OF CONFIDENTIALITY OBLIGATIONS HEREUNDER, MARKET AGENT'S AGGREGATE LIABILITY HEREUNDER SHALL IN NO EVENT EXCEED AN AMOUNT EQUAL TO TWO THOUSAND FIVE HUNDRED DOLLARS ($2500). EACH PARTY HEREBY WAIVES ANY CLAIM THAT THESE EXCLUSIONS DEPRIVE IT OF AN ADEQUATE REMEDY OR CAUSE THIS AGREEMENT TO FAIL OF ITS ESSENTIAL PURPOSE. THE FOREGOING SETS FORTH EACH PARTY'S EXCLUSIVE REMEDY FOR BREACH OF THIS AGREEMENT BY THE OTHER.

7.3 Third Party Information. Subscriber acknowledges that Market Agent may provide third-party credit rating or other information on C-BRATS^{SM} or by means of links from third parties. Market Agent makes no representation or warranty as to the accuracy, completeness or currency of such information.

8. REPRESENTATIONS, WARRANTIES AND COVENANTS

8.1 Market Agent Representations, Warranties and Covenants. Market Agent hereby represents, warrants and covenants that it: (i) has all requisite authority to enter into and perform the Services contemplated by this Agreement under Applicable Law, and (ii) has all requisite third-party rights to enter into and perform the Services contemplated by this Agreement.

8.2 Subscriber Representations, Warranties and Covenants. Subscriber hereby represents, warrants and covenants, on its own behalf and on behalf of its Authorized Users, that each: (i) has the full right, power and authority to execute and deliver this Agreement and to bind each party for which Subscriber is acting, that the person signing below is duly authorized by Subscriber, and that this Agreement constitutes a legal, valid and binding obligation of Subscriber and each party for which Subscriber is acting; (ii) has the requisite power and is authorized to enter into the transactions contemplated by this Agreement and to perform its obligations hereunder in connection with such transactions; (iii) has thoroughly reviewed the Issuance Documents pertaining to each Eligible Security for which any Orders are placed, and (iii) agrees that the terms of such Issuance Documents prevail over any contradictory information contained in C-BRATS^{SM}, (iv) shall not: (1) enter any Orders to sell Eligible Securities that are not then controlled by Subscriber; (2) access or use C-BRATS^{SM} for any purpose inconsistent with the substance and terms of this Agreement or the C-BRATS^{SM} Materials; (3) introduce into C-BRATS^{SM} any code, virus or mechanism that would impair C-BRATS^{SM} or Market Agent's (or its Service Providers') systems, computers or software; (4) use C-BRATS^{SM} to gain unauthorized access to any system or database; (5) sublicense access to C-BRATS^{SM} to any third party; (6) disclose to any third party nonpublic information relating to the content or operation of C-BRATS^{SM}, which information is confidential and proprietary to Market Agent or its Affiliates or Service Providers; or (7) remove or obscure any of Market Agent's or any Service Provider's trademarks, service marks or markings of copyright or patent rights contained in C-BRATS^{SM}; Subscriber will not use the Services to effect transactions in Eligible Securities of which Subscriber, or any of its Affiliates, is the issuer, or, if Subscriber is a broker-dealer, investment manager or investment advisor and is acting on behalf of a customer, of which the customer, or the customer's affiliate, is the issuer. Subscriber is responsible for any delays, expenses and losses associated with compliance, or failure to comply, with the requirements for notification of any Eligible Securities. All of Subscriber's representations, warranties and covenants made in or pursuant to this Agreement will survive the termination of this Agreement.

8.3 Disclaimer of Warranty. **EXCEPT AS SPECIFICALLY SET FORTH IN SECTION 8.1, THE SERVICES, ORDERS AND DATA PROCESSED BY OR TRANSMITTED THROUGH C-BRATS^{SM} ARE MADE AVAILABLE "AS IS" AND WITHOUT WARRANTY OF ANY KIND, WHETHER EXPRESS, IMPLIED, STATUTORY OR OTHERWISE. EACH OF MARKET AGENT AND ITS SERVICE PROVIDERS EXPRESSLY DISCLAIMS ALL SUCH WARRANTIES INCLUDING, BUT NOT LIMITED TO, ANY WARRANTY OF TIMELINESS, TRUTHFULNESS, SEQUENCE, COMPLETENESS, ACCURACY, FREEDOM FROM ERRORS OR INTERRUPTION OR DEFECT, MERCHANTABILITY OR FITNESS FOR A PARTICULAR USE OR PURPOSE, AND ANY IMPLIED WARRANTIES ARISING FROM TRADE USAGE, COURSE OF DEALING OR COURSE OF PERFORMANCE.**

9. TERM

9.1 This Agreement shall commence from the date hereof and shall continue in effect until terminated by either Party upon [thirty (30)] days' prior written notice to the other Party. Notwithstanding the foregoing, either Party also may terminate this Agreement at any time, with such termination effective immediately upon delivery by the terminating Party of written notice to the other Party, if (i) the other Party, or any of its Affiliates, becomes insolvent, (ii) the other Party, or any of its Affiliates, becomes the subject of a petition in bankruptcy, or a proceeding, order, resolution or any other step is made or taken by any person for the winding-up, insolvency, administration, reorganization, reconstruction, dissolution or bankruptcy of such other Party or such Affiliate or for the appointment of a liquidator, receiver, administrator, trustee or similar officer of such other Party or such Affiliate or of all or any part of its assets or business which is not dismissed within sixty (60) days, (iii) the other Party, or any of its Affiliates, makes an assignment for the benefit of creditors or (iv) the other Party, or any of its Affiliates, violates Applicable Law, or materially breaches its obligations under this Agreement or breaches any provision of the C-BRATS^{SM} Materials. Each Party hereby agrees that it shall promptly notify the other Party in writing if any of the events specified in clauses (i) to (iv) of the preceding sentence occurs with respect to it or any part of its assets or business.

9.2 Without limiting any right of Market Agent to terminate or suspend access to or Use of C-BRATS^{SM} at any time and in its reasonable sole discretion, Market Agent may, at any time and without delivery of prior written notice to Subscriber, terminate or suspend Market Agent's obligations under this Agreement in whole or in part immediately if Market Agent learns, or believes in its sole reasonable judgment, that (i) there exists any actual or potential defect in any of the Services that materially impairs the reliability, credibility or integrity of the operation thereof, (ii) continuing to provide any of the Services pursuant to this Agreement would infringe upon the intellectual property rights of any third party, (iii) any of the Services have been or are being Used by Subscriber or any Authorized User for any unlawful purpose or in a manner that is in violation or contravention of Applicable Law, (iv) published or prevailing market prices for any relevant Eligible Securities do not accurately reflect market conditions, whether as a result of excess volatility, excess liquidity or otherwise, or (v) offering or continuing to provide any of the Services is prohibited by Applicable Law.

9.3 Upon termination, Subscriber shall (i) cease Use of the Services, C-BRATS^{SM} and C-BRATS^{SM} Data, and destroy or return any Market Agent Confidential Information (as defined below) or C-BRATS^{SM} Materials then in possession or control of Subscriber. Further, the termination of this Agreement for any reason shall not affect (1) the obligations of Subscriber with respect to any Order or transaction with a counterparty entered into by Subscriber prior to the effective date of termination, or (2) in respect of both Parties, any additional remedies provided by law or equity.

9.4 Upon notice of termination, Subscriber and Market Agent shall work together in good faith to effect the transfer or orderly liquidation of such holdings, and the cancellation of such Orders, if any, of Eligible Securities.

10. CONFIDENTIALITY

10.1 "**Confidential Information**" means, with respect to a Party hereto, all information or material which (a) is marked "Confidential," "Restricted," or "Confidential Information" or similar marking; or (b) is known by the Parties to be considered confidential. This Agreement and the information contained herein, any other information provided by Market Agent, including, without limitation, C-BRATS^{SM} Data (collectively, "**Market Agent Confidential Information**"), are Confidential Information of Market Agent and/or its Affiliates, agents and vendors. Each Party agrees to maintain the secrecy and confidentiality of such Confidential Information of the other Party and shall neither disclose or use nor permit any other person to disclose or use the same to any third party, except as required by Applicable Law. Each Party acknowledges that the unauthorized disclosure of such Confidential Information cannot be adequately or reasonably compensated for by monetary damages and, therefore, agrees that in the event of such an unauthorized disclosure or use, the Party owning such Confidential Information shall be entitled to seek injunctive and other equitable and injunctive relief without waiver of any other rights or remedies which a Party may have.

10.2 Confidential Information excludes information: (i) in the public domain (except as the result of disclosure in breach of this Agreement); (ii) possessed by a receiving Party without any confidentiality obligation associated therewith; (iii) disclosed to a receiving Party by a third party legally entitled to make such disclosure; or (iv) independently developed by the receiving Party without use of the Confidential Information. Each Party agrees that Confidential Information of the other Party may be directly disclosed (i) to a court, administrative agency, self-regulatory organization or other governmental body having appropriate authority, or (ii) as required by Applicable Law. In addition, either Party may make such disclosure: (i) as otherwise provided in this Agreement; (ii) pursuant to authorization by the other Party in writing; and (iii) pursuant to an order or subpoena of a court or regulatory body having jurisdiction over such Party; provided, however, that unless otherwise prohibited, prompt notice shall be given to the other Party of the receipt of such an order or subpoena prior to the Party's compliance therewith.

11. INDEMNIFICATION

11.1 Subscriber Indemnity. Subscriber agrees to indemnify, defend and hold Market Agent, its Affiliates and Service Providers, and each of their respective officers, directors, employees and agents harmless from and against any and all third-party claims, demands, losses, costs, expenses, obligations, liabilities, damages, recoveries and deficiencies, including interest, penalties and reasonable attorney's fees, arising from or as a result of (i) Subscriber's or any Authorized User's breach of any of its representations, warranties or covenants under this Agreement, (ii) the failure of Subscriber, for any reason, to clear or settle any transaction effected on C-BRATS^{SM}, which, by the terms of this Agreement, Subscriber is obligated to accept, (iii) any contravention of any Applicable Law by Subscriber or any Authorized User, (iv) any noncompliance with any provision of any C-BRATS^{SM} Materials by Subscriber or any Authorized User, (v) Subscriber's or any Authorized User's fraud, gross negligence, bad faith, willful misconduct or knowing breach of confidentiality, (vi) any orders received or transmitted through Subscriber's hardware and/or software, and (vii) claims for violation of any third-party proprietary right, including copyright, patent, trade secret and trademark rights, arising from the use by Subscriber or any Authorized User of the Services provided by Market Agent or Service Providers pursuant to this Agreement, unless covered by Market Agent's indemnification obligations as set forth in Section

11.2 Market Agent Indemnity. Market Agent agrees to indemnify, defend and hold Subscriber, its Affiliates and vendors, and each of their respective officers, directors, agents, customers, and employees harmless from and against any and all third-party claims, demands, losses, costs, expenses, obligations, liabilities, damages, recoveries and deficiencies, including interest, penalties and reasonable attorney's fees, arising from or as a result of claims for violation of any third-party United States intellectual property right arising solely from the offering or use of the Services related thereto ("IP Claim"). Without limiting Market Agent's indemnification obligations, in the event Use of the Services becomes, or in Market Agent's reasonable opinion is likely to become, the subject of a claim of infringement as outlined in this Section 11.2, Market Agent shall, at its option and expense: (i) obtain the continuing right to use the Services; or (ii) modify the Services or replace the same so that such Use no longer infringes; or, if neither (i) nor (ii) is reasonably practicable, (iii) terminate this Agreement. Notwithstanding any other provisions hereof, the provisions of this Section 11.2 state Market Agent's entire liability to Subscriber in respect of any IP Claim.

11.3 Notice of Indemnification. A party seeking indemnification pursuant to this Section 11 (an "**Indemnified Party**") from or against the assertion of any claim by a third person (a "**Third Person Assertion**") will give prompt written notice to the party from whom indemnification is sought (the "**Indemnifying Party**"); provided, however, that failure to give prompt written notice will not relieve the Indemnifying Party of any liability hereunder (except to the extent the Indemnifying Party has suffered actual material prejudice by such failure).

11.4 Assumption of Defense. Within five (5) days of receipt of written notice pursuant to Section 11.3, the Indemnifying Party will have the right, exercisable by written notice to the Indemnified Party, to assume the defense of a Third Person Assertion. If the Indemnifying Party assumes such defense, the Indemnifying Party may select counsel, which counsel will be reasonably acceptable to the Indemnified Party. If the Indemnifying Party: (a) does not assume the defense of any Third Party Assertion in accordance with this Section 11; (b) having so assumed such defense, unreasonably fails to defend against such Third Person Assertion; or (c) has been advised by the written opinion of counsel to the Indemnified Party that the use of the same counsel to represent both the Indemnifying Party and the Indemnified Party would present a conflict of interest, then, in each case upon five (5)

days' written notice to the Indemnifying Party, the Indemnified Party may assume the defense of such Third Person Assertion. In such event, the Indemnified Party will be entitled under this Section 11 as part of its damages to indemnification for the costs of such defense.

11.5 Settlement. The party controlling the defense of a Third Person Assertion will have the right to consent to the entry of judgment with respect to, or otherwise settle, such Third Person Assertion with the prior written consent of the other party, which consent will not be unreasonably withheld or delayed; provided, however, that such other party may withhold consent if any such judgment or settlement imposes a monetary obligation on such other party that is not covered by indemnification, imposes any material non-monetary obligation or does not include an unconditional release of such other party and its Affiliates from all claims of the Third Person Assertion.

11.6 Participation. The Indemnifying Party and the Indemnified Party will cooperate, and cause their respective Affiliates to cooperate, in the defense of any Third Person Assertion. The Indemnifying Party or the Indemnified Party, as the case may be, will have the right to participate, at its own expense, in the defense or settlement of any Third Person Assertion. The Indemnifying Party's obligation is subject to the Indemnified Party: (i) notifying the Indemnifying Party promptly in writing of the claim; (ii) giving the Indemnifying Party the exclusive control of the defense and settlement thereof; and (iii) providing reasonable assistance, at the Indemnifying Party's expense, necessary to perform the Indemnifying Party's obligations hereunder.

12. GENERAL

12.1 Notices. All notices, requests, reports and other communications to any Party hereunder will be in writing and shall either be hand delivered, sent by overnight courier service, sent by email, sent by registered mail return receipt requested, or transmitted by facsimile number, as set forth below (except to the extent a Party notifies the other Party in writing that different contact information should be used). Each such notice, request, report or other communication will be effective (i) on the delivery date if hand delivered, (ii) on transmission date if sent by email, (iii) on the delivery date specified on the overnight package, (iv) on the delivery date specified on the return receipt if sent by registered mail, or (v) when such facsimile is transmitted and confirmation of receipt is obtained, if given by facsimile.

If to Market Agent: Arbor Research & Trading, LLC
405 Lexington Avenue 53rd Floor
New York, NY 10174
Attention: Robert Novembre
Phone: 212-867-9819 Fax: 212-867-8529
Email: rob.novembre@claritybid.com

If to Subscriber: _____
_____
_____
_____
Attention:_____
Phone:_____
Fax:_____
Email:_____

12.2 Survival. Any provision of this Agreement that by its very nature or context is intended to survive any termination, cancellation or expiration thereof shall so survive and shall apply to respective successors and assigns.

12.3 Force Majeure. Notwithstanding any other term or condition of this Agreement, neither Party nor its third-party providers, including, but not limited to, software, hardware, communications and data providers, shall be obligated to perform or observe its obligations undertaken in this Agreement (except for obligations to make settlements hereunder and regulatory obligations) if prevented or hindered from doing so by any circumstances found to be beyond its reasonable control and without the gross negligence or willful misconduct on

the part of either Party ("**Force Majeure**") Such causes may include, without limitation, acts of God, acts of government in its sovereign or contractual capacity, any act of declared or undeclared war or of a public enemy (including acts of terrorism), power shortages or failures, utility or communication failure or delays, labor disputes, strikes, shortages, supply shortages, equipment failures or malfunctions (including software malfunctions); provided, however, that the Party relying on such event has in place commercially reasonable backup and disaster recovery systems. The time for performance of any act delayed by such events may be postponed for a period of time equal to the delay and, in respect of performance of the Services, any additional time reasonably required to reinstate the applicable Services.

12.4 Governing Law and Jurisdiction. This Agreement shall be governed by and construed in accordance with the laws of the State of New York, without giving effect to the conflicts-of-law principles thereof and, with respect to any dispute arising out of this Agreement, each Party hereby consents to the exclusive jurisdiction of the courts sitting in such State, County of New York, unless such dispute is required to be arbitrated by the rules of FINRA, and each Party waives any argument as to convenience of forum and hereby waives all rights to a jury trial.

12.5 Headings. The headings of the sections of this Agreement are inserted for convenience only and shall not constitute a part hereof or affect in any way the meaning or interpretation of this Agreement.

12.6 Amendment; No Waiver. Market Agent shall have the right to amend the terms of this Agreement to the extent necessary to comply with a change in any Applicable Law. Except as set forth in the preceding sentence, no term or provision of this Agreement (or any schedules and attachments which are a part hereof) may be amended, modified or waived unless in writing and signed by the Party against whom such amendment, waiver or modification is sought to be enforced. A Party's failure to insist at any time on strict compliance with this Agreement or with any of the terms hereunder or any continued course of such conduct on such Party's part will in no event constitute or be considered a waiver by such Party of any of its rights or privileges.

12.7 Entire Agreement. This Agreement, as amended from time to time pursuant to writings agreed to and signed by both Parties, shall constitute the entire agreement between both Parties and shall supersede all prior agreements, arrangements, representations or promises, whether oral or written, between the Parties with respect to the subject matter hereof. If any term of this Agreement conflicts with a term in any other agreement between Subscriber and Market Agent regarding the subject matter contained herein, this Agreement shall prevail only to the extent that such term relates to Subscriber's use of C-BRATS^{SM}.

12.8 Assignment. This Agreement may not be assigned or transferred by either Party to any other individual or entity without the prior written consent of the non-assigning Party, except that this Agreement may be assigned or transferred by Market Agent to (i) a third party in the event of the sale of all or substantially all of its assets or a business unit to such third party, or (ii) any entity Controlling, Controlled by or under common Control with Market Agent.

12.9 Severability. If any provision of this Agreement is or should become inconsistent with any present or future law, rule or regulation of any governmental or regulatory body with jurisdiction over the subject matter of this Agreement, such provision will be deemed to be rescinded or modified in accordance with such law, rule or regulation. In all other respects, this Agreement will continue and remain in full force and effect.

12.10 No Joint Venture. Neither this Agreement nor any operation hereunder is intended to be, shall not be deemed to be, and shall not be treated as creating a general or limited partnership, association or joint venture or agency or employment relationship between the Parties.

12.11 No Third-Party Beneficiary. This Agreement is intended solely for the benefit of Subscriber and Market Agent and their respective successors and permitted assigns, and no third party shall have any rights or interest in any provision of this Agreement. Except as specifically provided herein, nothing contained in this Agreement shall be deemed or construed to create an obligation on the part of Subscriber to any third party, nor shall any third party have a right to enforce against Subscriber any right that Market Agent may have under this Agreement.

12.12 Counterparts. This Agreement may be signed in one or more counterparts, all of which will be considered one and the same agreement, and this Agreement will become effective when one or more of such counterparts have been signed by each Party and delivered to the other Party.

12.13 Definitions. For purposes of this Agreement:

(a) "**Affiliate**" means any organization that (1) is Controlled by, Controls or is under common Control with another person or entity or is managed or operated by another person or entity or any of the entity's subsidiaries.

(b) "**Authorized User**" means an individual who is a full- or part-time employee of Subscriber or an Affiliate and who has been expressly authorized by Subscriber and is reflected in Schedule 1 hereto.

(c) "**Bid Process Date**" means the day that Orders are effective and processed to determine a Clearing Market Rate.

(d) "**Clarity Market Disruption Event**" means that C-BRATS^{SM} is unable to accept Orders, determine a Clearing Market Rate or otherwise function as expected.

(e) "**Clearing Market Rate**" means the lowest interest rate at which the entire principal amount of a specific Eligible Security registered on C-BRATS^{SM} would be sold.

(f) "**Control**" over a person means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such person, whether through the ownership of voting securities or other equity interest, representation on its board of directors or body performing similar functions, by contract or otherwise. The terms "**Controlling**" and "**Controlled**" will have corollary meanings.

(g) "**Hold-Auto Order**" means an Order on behalf of an Existing Holder who has not submitted Orders on a Bid Process Date for the entire principal amount of Bonds held by such Existing Holder. Hold-Auto Orders will be submitted with a rate equal to the bid rate for the last executed Order, on an order to order basis, whether a Bid to Roll Order, Bid to Buy Order, an Hold-Auto Order or a purchase in the secondary market.

(h) "**Issuance Documents**" means the documentation governing the issuance of the Eligible Securities as provided by the issuer of such Eligible Securities.

(i) "**Order**" means a Bid To Buy Order, a Bid To Roll Order, Good Til Cancel, Market Roll, Hold-Auto Order or a Sell Order, as applicable.

(j) "**Use**" means to host, load, use, install, execute, view, employ, utilize, store, display, access or compile C-BRATS^{SM} and/or the Services.

IN WITNESS WHEREOF, the Parties by their authorized representatives have caused this Agreement to be executed as of the date first written above.

ARBOR RESEARCH & TRADING, LLC

By:_____
Authorized Representative

Printed Name:_____
Title:_____

405 Lexington Avenue
53rd Floor
New York, NY 10174

[SUBSCRIBER]

By:_____
Authorized Representative

Printed Name:_____
Title:_____

Email:_____

_____
(Street Address)

_____
(City, State and Zip Code)

SCHEDULE 1

AUTHORIZED USERS

Last Updated _____, 201___

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EXHIBIT A

PROPOSED TEXT OF BOND COUNSEL LEGAL OPINION

$32,300,000 State of Ohio (Treasurer of State) Capital Facilities Lease-Appropriation Variable Rate Bonds, Series 2016C (Adult Correctional Building Fund Projects)

We have examined the transcript of proceedings relating to the issuance by the State Treasurer of Ohio (the "Treasurer"), on behalf of the State of Ohio (the "State"), of the $32,300,000* State of Ohio (Treasurer of State) Capital Facilities Lease-Appropriation Variable Rate Bonds, Series 2016C (Adult Correctional Building Fund Projects) (the "Series 2016 Bonds"), for the purpose of providing moneys to pay costs of capital facilities to be leased to the Department of Rehabilitation and Correction of the State of Ohio (the "DRC"). The transcript includes conformed or executed counterparts of the Trust Agreement dated as of May 1, 2012 (the "Trust Agreement") between the State, acting by and through the Treasurer, and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), including in it the General Bond Order of the Treasurer dated May 3, 2012 (the "General Bond Order"), the Series 2016C Supplemental Trust Agreement dated as of October 1, 2016 (the "Series 2016C Supplemental Trust Agreement") between the State, acting by and through the Treasurer, and the Trustee, including in it the Series Order of the Treasurer dated October __, 2016 (the "Series 2016C Order"), the Lease Agreement dated as of May 1, 2012 (the "Lease Agreement") between the Ohio Public Facilities Commission ("OPFC") and the DRC, and the Series 2016C Supplemental Lease Agreement dated as of October 1, 2016 (the "Series 2016C Supplemental Lease Agreement") between OPFC and the DRC. We have also examined a conformed copy of a signed and authenticated Series 2016 Bond of the first maturity.

The Series 2016 Bonds are issued under and pursuant to Section 2i of Article VIII of the Ohio Constitution, Chapter 154 of the Ohio Revised Code and other authorizations by the Ohio General Assembly (the "General Assembly"), the Trust Agreement and the Series 2016C Supplemental Trust Agreement.

Based on this examination we are of the opinion that, under existing law:

1. The Series 2016 Bonds are valid and legally binding special obligations of the State in accordance with their terms and provisions; the principal of and interest on the Series 2016 Bonds, together with the principal of and interest on other Obligations (as defined in the Trust Agreement) previously or hereafter issued and outstanding pursuant to the Trust Agreement (collectively with the Series 2016 Bonds, the "Bonds"), are payable from and secured by a first pledge of the Bond Service Account in the Bond Service Fund (the "Bond Service Fund") established by and as provided in the Trust Agreement and Section 154.24 of the Ohio Revised Code and the payments received by such Bond Service Account under the Lease Agreement and supplemental agreements to it constitute "Pledged Receipts" as defined in and subject to the provisions of the Trust Agreement. The Series 2016 Bonds are not otherwise secured and the owners of the Series 2016 Bonds are given no right to have any excises or taxes levied by the General Assembly for the payment of principal or interest.

2. The Trust Agreement and the Series 2016C Supplemental Trust Agreement have been duly authorized, executed and delivered by the Treasurer and constitute legal, valid and binding obligations of the State enforceable in accordance with their terms.

3. The Lease Agreement and Series 2016C Supplemental Lease Agreement have been duly made and entered into by OPFC and the DRC and are legal and valid contractual obligations of the parties in accordance with their terms; pursuant to the Lease Agreement, the DRC has agreed to pay rentals directly to the Treasurer at least adequate to meet, among other requirements, the principal and interest and any call premium and mandatory sinking fund requirements (the "Bond Service Charges") on all Bonds; pursuant thereto, those rentals are to be paid by the DRC from funds appropriated to the DRC for that purpose by the General Assembly, and the agreement of the DRC to pay those rentals during any two-year period for which appropriations may lawfully be made by the General Assembly is effective and binding upon the DRC only when and to the extent that funds have been appropriated and are available for that purpose and for that period; and the General Assembly is not at any time obligated to make appropriations to pay those rentals.

4. The interest on the Series 2016 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

* Preliminary; subject to change.

and corporations. The opinion set forth in the preceding sentence is subject to the condition that the Treasurer, the DRC and the State comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Series 2016 Bonds in order that the interest thereon be, and continue to be, excluded from gross income for federal income tax purposes.

5. The Series 2016 Bonds, the transfer thereof, and the income therefrom, including any profit made on the sale thereof, are free from taxation within the State of Ohio, except the estate tax, the domestic insurance company tax, the dealers in intangibles tax, the tax levied on the basis of the total equity capital of financial institutions, and the net worth base of the corporate franchise tax

We express no other opinion as to the federal or state tax consequences regarding the Series 2016 Bonds.

In giving the opinions contained herein with respect to the treatment of the Series 2016 Bonds under federal tax laws, we have assumed compliance with and the accuracy of, and have relied upon, the covenants, representations and certifications in the Transcript. We have not independently verified the accuracy of those representations and certifications. The accuracy of those representations and certifications, and the compliance with those covenants may be necessary for the interest on the Series 2016 Bonds to be and to remain excluded from gross income for federal income tax purposes. Failure to comply with certain of those covenants subsequent to issuance of the Series 2016 Bonds could cause the interest on the Series 2016 Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Series 2016 Bonds.

Under the Code, portions of the interest on the Series 2016 Bonds earned by certain corporations may be subject to a federal corporate alternative minimum tax, and interest on the Series 2016 Bonds may be subject to a branch profits tax imposed on certain foreign corporations doing business in the United States and to a tax imposed on excess net passive income of certain S corporations.

We have assumed for purposes of this opinion the due authorization, execution and delivery by, and the binding effect upon and enforceability against, the Trustee of the Trust Agreement and the Series 2016C Trust Agreement. Please be advised that the rights of the owners of the Series 2016 Bonds and the enforceability of the Series 2016 Bonds, Trust Agreement, the Series 2016C Supplemental Trust Agreement, the Lease Agreement and the Series 2016C Supplemental Lease Agreement are limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally heretofore or hereafter enacted, general principles of equity, whether considered at law or in equity, governing specific performance, injunctive relief and other equitable remedies, and the exercise of judicial discretion in appropriate cases.

The opinions expressed herein are given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur. We bring to your attention the fact that our legal opinions are an expression of our professional judgment and are not a guarantee of a result.

Respectfully submitted,

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STATE OF OHIO (TREASURER OF STATE) • CAPITAL FACILITIES LEASE-APPROPRIATION VARIABLE RATE BONDS, SERIES 2016C (ADULT CORRECTIONAL BUILDING FUND PROJECTS)

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