

**SIX NEW ISSUES  
(Book-Entry Only)**

*In the opinion of Calfee, Halter & Griswold LLP, Bond Counsel, under existing law, assuming continuing compliance with certain covenants and the accuracy of certain representations, (i) interest on the Series 2010 Tax-Exempt Bonds is excluded from gross income for federal income tax purposes, subject to the qualifications described herein, 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 (the Code); and (ii) interest on the Administrative Series 2010A Bonds and the Juvenile Correction Series 2010A Bonds is not treated as an adjustment to adjusted current earnings of a corporation under section 56(g) of the Code. Interest on the Series 2010 Tax-Exempt Bonds may be subject to certain federal taxes imposed only on certain corporations, and certain taxpayers may have other federal income tax consequences as a result of owning the Series 2010 Bonds. (See "TAX MATTERS FOR SERIES 2010 TAX-EXEMPT BONDS"). With respect to the Series 2010 Taxable Bonds, INTEREST IS NOT EXCLUDED FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES. The owners of the Series 2010 Taxable Bonds are not entitled to a tax credit as a result of ownership of the Series 2010 Taxable Bonds. (See "TAX MATTERS FOR SERIES 2010 TAXABLE BONDS"). Interest on the Series 2010 Bonds, the transfer thereof, and any profit made on their sale, exchange, transfer, or other disposition are exempt from the Ohio personal income tax, the Ohio corporate franchise tax (to the extent calculated on the net income basis), and income taxes imposed by certain local political subdivisions in Ohio. Interest on the Series 2010 Bonds, as is the case with most other forms of interest on debt obligations, is not subject to the Ohio commercial activity tax.*

**\$77,310,000  
STATE OF OHIO  
(OHIO BUILDING AUTHORITY)  
STATE FACILITIES BONDS  
consisting of the series shown on the inside front cover**

**Dated: Date of Issuance**

**Due: As shown on inside front cover**

**Purposes:** The \$9,005,000 State of Ohio (Ohio Building Authority) State Facilities Bonds (Administrative Building Fund Projects), 2010 Series A (Tax-Exempt) (the "Administrative Series 2010 A Bonds") will be issued for the purpose of (i) paying costs of certain Administrative Projects, and (ii) paying costs incidental to the issuance and sale of the Administrative Series 2010 A Bonds. The \$30,995,000 State of Ohio (Ohio Building Authority) State Facilities Bonds (Administrative Building Fund Projects), 2010 Series B (Federally Taxable – Build America Bonds – Direct Payment) (the "Administrative Series 2010 B Bonds") will be issued for the purpose of (i) paying costs of certain Administrative Projects, and (ii) paying costs incidental to the issuance and sale of the Administrative Series 2010 B Bonds. The \$10,860,000 State of Ohio (Ohio Building Authority) State Facilities Refunding Bonds (Highway Safety Building Fund Projects), 2010 Series A (Tax-Exempt) (the "Highway Safety Series 2010 A Bonds") will be issued for the purpose of (i) advance refunding certain maturities of outstanding State of Ohio (Ohio Building Authority) State Facilities Bonds (Highway Safety Building Fund Projects), and (ii) paying costs incidental to the issuance and sale of the Highway Safety Series 2010 A Bonds. The \$5,445,000 State of Ohio (Ohio Building Authority) State Facilities Bonds (Juvenile Correctional Building Fund Projects), 2010 Series A (Tax-Exempt) (the "Juvenile Correctional Series 2010 A Bonds") will be issued for the purpose of (i) paying costs of certain Juvenile Correctional Projects, and (ii) paying costs incidental to the issuance and sale of the Juvenile Correctional Series 2010 A Bonds. The \$11,450,000 State of Ohio (Ohio Building Authority) State Facilities Refunding Bonds (Juvenile Correctional Building Fund Projects), 2010 Series B (Tax-Exempt) (the "Juvenile Correctional Series 2010 B Bonds") will be issued for the purpose of (i) advance refunding certain maturities of outstanding State of Ohio (Ohio Building Authority) State Facilities Bonds (Juvenile Correctional Building Fund Projects), and (ii) paying costs incidental to the issuance and sale of the Juvenile Correctional Series 2010 B Bonds. The \$9,555,000 State of Ohio (Ohio Building Authority) State Facilities Bonds (Juvenile Correctional Building Fund Projects), 2010 Series C (Federally Taxable – Build America Bonds – Direct Payment) (the "Juvenile Correctional Series 2010 C Bonds") will be issued for the purpose of (i) paying costs of certain Juvenile Correctional Projects, and (ii) paying costs incidental to the issuance and sale of the Juvenile Correctional Series 2010 C Bonds. The Administrative Series 2010 A Bonds, the Administrative Series 2010 B Bonds, the Highway Safety Series 2010 A Bonds, the Juvenile Correctional Series 2010 A Bonds, the Juvenile Correctional Series 2010 B Bonds and the Juvenile Correctional Series 2010 C Bonds are collectively referred to herein as the "Series 2010 Bonds." The Administrative Series 2010 B Bonds and the Juvenile Correctional Series 2010 C Bonds are collectively referred to herein as the "Series 2010 Taxable Bonds." The Administrative Series 2010 A Bonds, the Highway Safety Series 2010 A Bonds, the Juvenile Correctional Series 2010 A Bonds and the Juvenile Correctional Series 2010 B Bonds are collectively referred to herein as the "Series 2010 Tax-Exempt Bonds." See "INTRODUCTORY STATEMENT" and "SOURCES AND USES OF BOND PROCEEDS" herein.

**Security and Sources of Payment:** The Series 2010 Bonds are special obligations of the State, issued by the Ohio Building Authority (the "Authority"), and are payable solely from applicable Pledged Receipts, principally rental payments under the Administrative Lease, the Highway Safety Lease and the Juvenile Correctional Lease, respectively. The obligations of the Department of Administrative Services (the "DAS"), the Department of Public Safety (the "DPS") and the Department of Youth Services (the "DYS") to make the respective rental payments are subject to and dependent upon separate biennial appropriations being made for such purposes by the General Assembly. The failure of the General Assembly so to appropriate moneys to the DAS, the DPS or the DYS will result in termination of the lease for which money was not appropriated. The Series 2010 Bonds do not represent or constitute a debt of the Authority, the DAS, the DPS, the DYS, or the State or any political subdivision thereof, or a pledge of the faith and credit of the State, any political subdivision thereof or the Authority. *The Holders and Book Entry Interest Owners of the Series 2010 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 2010 Bonds. See "SECURITY FOR THE SERIES 2010 BONDS" herein.*

**Payment:** Interest on the Series 2010 Bonds will be payable on each April 1 and October 1, beginning October 1, 2010. The Series 2010 Bonds will mature on the dates and in the amounts set forth on the inside cover page hereof. See "THE SERIES 2010 BONDS" herein.

**Redemption of Bonds:** The Series 2010 Tax-Exempt Bonds are not subject to optional redemption prior to maturity. The Series 2010 Taxable Bonds maturing on and after October 1, 2020 are subject to optional redemption prior to maturity at the option of the Authority, either in whole or in part (as selected by the Authority and in integral multiples of \$5,000), on any date on or after April 1, 2020 at 100% of the principal amount redeemed plus interest accrued to the redemption date. The Series 2010 Taxable Bonds are also subject to extraordinary optional redemption prior to maturity as provided herein. The Administrative Series 2010 B Bond maturing on October 1, 2024, the Administrative Series 2010 B Bond maturing on October 1, 2029 and the Juvenile Correctional Series 2010 C Bond maturing on October 1, 2024 are each subject to mandatory sinking fund redemption as provided herein. See "THE SERIES 2010 BONDS - Redemption of Series 2010 Bonds" herein.

**Book-Entry:** The Series 2010 Bonds are being issued as fully registered bonds in book-entry form only and book-entry interests therein will be available for purchase in principal amounts of \$5,000 or integral multiples thereof. The Depository Trust Company (DTC), New York, New York, is securities depository. See "BOOK-ENTRY FORM" herein.

*This cover page includes certain information for quick reference only. It is not a summary of the Series 2010 Bonds or the matters set forth herein. Investors should read the entire Official Statement to obtain information as a basis for making informed investment judgments. Capitalized terms not otherwise defined on this cover page shall have the meanings given to them in the GLOSSARY herein.*

The Series 2010 Bonds are offered when, as and if issued by the Authority and accepted by the Underwriters, subject to the approval of certain legal matters relating to their issuance by Calfee Halter & Griswold LLP, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the Underwriters by their counsel, Tucker Ellis & West LLP. Certain legal matters will be passed upon for the Authority by its counsel, the Attorney General of Ohio, Richard Cordray, and Porter Wright Morris & Arthur LLP. PRISM Municipal Advisors, LLC has acted as financial advisor to the Authority in connection with the offering of the Series 2010 Bonds. It is expected that the Series 2010 Bonds will be available in definitive form for delivery to DTC in New York, New York or to its agent on or about April 1, 2010.

**WELLS FARGO SECURITIES**  
Fidelity Capital Markets  
Rice Financial Products Company

**J.P. Morgan**  
Stifel Nicolaus & Company

The date of this Official Statement is March 17, 2010.

## MATURITY SCHEDULES

**\$9,005,000**  
**STATE OF OHIO**  
**(Ohio Building Authority)**  
**State Facilities Bonds**  
**(Administrative Building Fund Projects)**  
**2010 Series A**  
**(Tax-Exempt)**

<u>Due Date</u> <u>October 1</u>	<u>Principal</u> <u>Amount</u>	<u>Rate</u>	<u>Yield</u>	<u>CUSIP</u> <sup>+</sup>	<u>Due Date</u> <u>October 1</u>	<u>Principal</u> <u>Amount</u>	<u>Rate</u>	<u>Yield</u>	<u>CUSIP</u> <sup>+</sup>
2011	\$1,370,000	2.000%	0.680%	67755CZQ5	2014	\$1,530,000	4.000%	1.620%	67755CZT9
2012	1,405,000	3.000%	1.020%	67755CZR3	2015	1,585,000	3.000%	2.000%	67755CZU6
2013	1,465,000	5.000%	1.270%	67755CZS1	2016	1,650,000	5.000%	2.440%	67755CZV4

**\$30,995,000**  
**STATE OF OHIO**  
**(Ohio Building Authority)**  
**State Facilities Bonds**  
**(Administrative Building Fund Projects)**  
**2010 Series B**  
**(Federally Taxable – Build America Bonds – Direct Payment)**

<u>Due Date</u> <u>October 1</u>	<u>Principal</u> <u>Amount</u>	<u>Rate</u>	<u>Yield</u>	<u>CUSIP</u> <sup>+</sup>	<u>Due Date</u> <u>October 1</u>	<u>Principal</u> <u>Amount</u>	<u>Rate</u>	<u>Yield</u>	<u>CUSIP</u> <sup>+</sup>
2017	\$1,730,000	4.026%	4.026%	67755CC23	2021	\$2,080,000	4.930%	4.930%	67755CC64
2018	1,810,000	4.480%	4.480%	67755CC31	2022	2,190,000	5.130%	5.130%	67755CC72
2019	1,890,000	4.580%	4.580%	67755CC49	2025	2,575,000	5.530%	5.530%	67755CC80
2020	1,985,000	4.780%	4.780%	67755CC56					

**\$4,745,000 5.380% Taxable Term Bond Maturing October 1, 2024, Price 100.000% CUSIP<sup>+</sup> 67755CD22**

**\$11,990,000 6.103% Taxable Term Bond Maturing October 1, 2029, Price 100.000% CUSIP<sup>+</sup> 67755CC98**

**\$10,860,000**  
**STATE OF OHIO**  
**(Ohio Building Authority)**  
**State Facilities Refunding Bonds**  
**(Highway Safety Building Fund Projects)**  
**2010 Series A**  
**(Tax-Exempt)**

<u>Due Date</u> <u>October 1</u>	<u>Principal</u> <u>Amount</u>	<u>Rate</u>	<u>Yield</u>	<u>CUSIP</u> <sup>+</sup>	<u>Due Date</u> <u>October 1</u>	<u>Principal</u> <u>Amount</u>	<u>Rate</u>	<u>Yield</u>	<u>CUSIP</u> <sup>+</sup>
2012	\$ 330,000	3.000%	1.020%	67755CA41	2016	\$1,285,000	5.000%	2.440%	67755CA82
2013	1,105,000	5.000%	1.270%	67755CA58	2017	1,350,000	5.000%	2.780%	67755CA90
2014	1,165,000	5.000%	1.620%	67755CA66	2018	1,410,000	3.000%	3.050%	67755CB24
2015	1,225,000	5.000%	2.000%	67755CA74	2019	1,460,000	4.000%	3.250%	67755CB32
					2020	1,530,000	5.000%	3.400%	67755CB40

<sup>+</sup> Copyright © 2010; American Bankers Association. CUSIP data herein are assigned by Standard & Poor's CUSIP Service Bureau, a division of the McGraw-Hill Companies, Inc., an independent company not affiliated with the Authority or the State. The CUSIP numbers listed above are being provided solely for the convenience of the Holders of the Series 2010 Bonds only as of this date, and the Authority makes no representation with respect to such numbers or undertakes any responsibility for their accuracy now or at any time in the future. The CUSIP Number for a specific maturity is subject to being changed after the date hereof.

**MATURITY SCHEDULES**

**\$5,445,000**  
**STATE OF OHIO**  
**(Ohio Building Authority)**  
**State Facilities Bonds**  
**(Juvenile Correctional Building Fund Projects)**  
**2010 Series A**  
**(Tax-Exempt)**

<b><u>Due Date</u></b> <b><u>October 1</u></b>	<b><u>Principal</u></b> <b><u>Amount</u></b>	<b><u>Rate</u></b>	<b><u>Yield</u></b>	<b><u>CUSIP</u></b> <sup>+</sup>	<b><u>Due Date</u></b> <b><u>October 1</u></b>	<b><u>Principal</u></b> <b><u>Amount</u></b>	<b><u>Rate</u></b>	<b><u>Yield</u></b>	<b><u>CUSIP</u></b> <sup>+</sup>
2011	\$850,000	2.000%	0.680%	67755CZY8	2014	\$915,000	3.000%	1.620%	67755CZX0
2012	870,000	2.000%	1.020%	67755CZZ5	2015	945,000	3.000%	2.000%	67755CA25
2013	890,000	3.000%	1.270%	67755CZW2	2016	975,000	2.750%	2.440%	67755CA33

**\$11,450,000**  
**STATE OF OHIO**  
**(Ohio Building Authority)**  
**State Facilities Refunding Bonds**  
**(Juvenile Correctional Building Fund Projects)**  
**2010 Series B**  
**(Tax-Exempt)**

<b><u>Due Date</u></b> <b><u>October 1</u></b>	<b><u>Principal</u></b> <b><u>Amount</u></b>	<b><u>Rate</u></b>	<b><u>Yield</u></b>	<b><u>CUSIP</u></b> <sup>+</sup>	<b><u>Due Date</u></b> <b><u>October 1</u></b>	<b><u>Principal</u></b> <b><u>Amount</u></b>	<b><u>Rate</u></b>	<b><u>Yield</u></b>	<b><u>CUSIP</u></b> <sup>+</sup>
2013	\$1,520,000	5.000%	1.270%	67755CB57	2015	\$2,420,000	5.000%	2.000%	67755CB73
2014	2,300,000	5.000%	1.620%	67755CB65	2016	2,540,000	5.000%	2.440%	67755CB81
					2017	2,670,000	5.000%	2.780%	67755CB99

**\$9,555,000**  
**STATE OF OHIO**  
**(Ohio Building Authority)**  
**State Facilities Bonds**  
**(Juvenile Correctional Building Fund Projects)**  
**2010 Series C**  
**(Federally Taxable – Build America Bonds – Direct Payment)**

<b><u>Due Date</u></b> <b><u>October 1</u></b>	<b><u>Principal</u></b> <b><u>Amount</u></b>	<b><u>Rate</u></b>	<b><u>Yield</u></b>	<b><u>CUSIP</u></b> <sup>+</sup>	<b><u>Due Date</u></b> <b><u>October 1</u></b>	<b><u>Principal</u></b> <b><u>Amount</u></b>	<b><u>Rate</u></b>	<b><u>Yield</u></b>	<b><u>CUSIP</u></b> <sup>+</sup>
2017	\$1,010,000	4.026%	4.026%	67755CD30	2020	\$1,155,000	4.780%	4.780%	67755CD63
2018	1,050,000	4.480%	4.480%	67755CD48	2021	1,210,000	4.930%	4.930%	67755CD71
2019	1,100,000	4.580%	4.580%	67755CD55	2022	1,275,000	5.130%	5.130%	67755CD89

**\$2,755,000 5.380% Taxable Term Bond Maturing October 1, 2024, Price 100.000% CUSIP<sup>+</sup> 67755CD97**

<sup>+</sup> Copyright © 2010; American Bankers Association. CUSIP data herein are assigned by Standard's & Poor's CUSIP Service Bureau, a division of the McGraw-Hill Companies, Inc., an independent company not affiliated with the Authority or the State. The CUSIP numbers listed above are being provided solely for the convenience of the Holders of the Series 2010 Bonds only as of this date, and the Authority makes no representation with respect to such numbers or undertakes any responsibility for their accuracy now or at any time in the future. The CUSIP Number for a specific maturity is subject to being changed after the date hereof.

## REGARDING USE OF THIS OFFICIAL STATEMENT

This Official Statement does not constitute an offering of any security other than the original offering of the Series 2010 Bonds identified on the cover page of this Official Statement. No person has been authorized by the Authority, the DAS, the DPS, the DYS or the State to give any information or to make any representation, other than those 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 Authority, the DAS, the DPS, the DYS or the State. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, and there shall not be any sale of the Series 2010 Bonds by any person in any jurisdiction in which it is unlawful to make such offer, solicitation or sale.

Upon issuance, the Series 2010 Bonds will not be registered by the Authority, the DAS, the DPS, the DYS or the State under the Securities Act of 1933, as amended, or the securities laws of any jurisdiction 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 Authority, will have passed upon the accuracy or adequacy of this Official Statement or approved the Series 2010 Bonds for sale. This Official Statement includes the cover page and the inside cover page.

The information and expressions of opinion set forth herein 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 Authority, the DAS, the DPS, the DYS or the State since the date hereof.

IN CONNECTION WITH THE OFFERING OF THE SERIES 2010 BONDS, THE UNDERWRITERS MAY OVER ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICES OF THE SERIES 2010 BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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

**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. 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.**

## TABLE OF CONTENTS

<u>Description</u>	<u>Page No.</u>
SUMMARY STATEMENT .....	vi
INTRODUCTORY STATEMENT .....	1
Issuance of Series 2010 Taxable Bonds as Build America Bonds – Direct Payment.....	2
The Administrative Series 2010 Bonds.....	2
The Highway Safety Series 2010 A Bonds.....	3
The Juvenile Correctional Series 2010 Bonds.....	4
Rental Payments and Bond Service Charges.....	5
THE SERIES 2010 BONDS .....	5
General .....	5
Registration, Payment and Transfer .....	6
Payments of Bond Service Charges on the Series 2010 Bonds.....	6
Redemption of Series 2010 Bonds .....	6
Selection of Series 2010 Bonds to be Redeemed.....	8
Notice and Procedure for Redemption .....	8
Additional Bonds .....	8
BOOK-ENTRY FORM.....	9
General .....	9
Revision of Book-Entry System; Series 2010 Replacement Bonds .....	11
Transfer of Book-Entry Interests in Series 2010 Bonds .....	11
SOURCES AND USES OF BOND PROCEEDS AND PLAN OF REFUNDING .....	12
Administrative Series 2010 Bonds .....	12
Highway Safety Series 2010 A Bonds .....	12
Juvenile Correctional Series 2010 A Bonds and Juvenile Correctional Series 2010 C Bonds.....	13
Juvenile Correctional Series 2010 B Bonds .....	13
Mathematical Verification .....	13
SECURITY FOR THE SERIES 2010 BONDS .....	14
General .....	14
Rental Payments and Related Budget Requirements .....	15
THE AUTHORITY .....	16
General .....	16
Current and Pending Projects.....	16
Budgetary Process .....	17
THE PROJECTS .....	17
Administrative Projects.....	17
Highway Safety Projects.....	17
Juvenile Correctional Projects .....	18
DEPARTMENT OF ADMINISTRATIVE SERVICES.....	18
DEPARTMENT OF PUBLIC SAFETY .....	18
DEPARTMENT OF YOUTH SERVICES .....	19

ADMINISTRATIVE BUILDING FUND.....	19
HIGHWAY SAFETY BUILDING FUND.....	19
JUVENILE CORRECTIONAL BUILDING FUND.....	19
THE ADMINISTRATIVE LEASE.....	20
General.....	20
Term of the Administrative Lease.....	20
Rental Payments and Pledges.....	20
Project Substitutions and Alterations.....	21
Insurance.....	21
Legislative Appropriations.....	21
Remedies.....	22
Termination.....	22
Reinstatement.....	23
THE ADMINISTRATIVE TRUST AGREEMENT.....	23
General.....	23
Security.....	23
Funds and Accounts.....	23
Investment of Certain Funds.....	25
Additional Administrative Bonds.....	25
Further Covenants.....	26
Events of Default and Remedies.....	27
Waiver of Events of Default.....	30
Supplemental Administrative Trust Agreements.....	30
Defeasance.....	31
Non-Presentment of Administrative Bonds.....	31
Payments Due On Saturdays, Sundays and Holidays.....	32
Administrative Trustee.....	32
THE HIGHWAY SAFETY LEASE.....	32
General.....	32
Term of the Highway Safety Lease.....	33
Rental Payments and Pledges.....	33
Project Substitutions and Alterations.....	34
Insurance.....	34
Legislative Appropriations.....	34
Remedies.....	35
Termination.....	35
Reinstatement.....	35
THE HIGHWAY SAFETY TRUST AGREEMENT.....	35
General.....	35
Security.....	36
Funds and Accounts.....	36
Investment of Certain Funds.....	37
Additional Highway Safety Bonds.....	38
Further Covenants.....	39
Events of Default and Remedies.....	40
Waiver of Events of Default.....	43
Supplemental Highway Safety Trust Agreements.....	43
Defeasance.....	44

Non-presentment of Highway Safety Bonds.....	44
Payments Due On Saturdays, Sundays and Holidays .....	44
Highway Safety Trustee.....	45
<b>THE JUVENILE CORRECTIONAL LEASE .....</b>	<b>45</b>
General .....	45
Term of the Juvenile Correctional Lease.....	45
Rental Payments and Pledges .....	45
Project Substitutions and Alterations.....	46
Insurance .....	46
Legislative Appropriations.....	46
Remedies .....	47
Termination .....	47
Reinstatement.....	48
<b>THE JUVENILE CORRECTIONAL TRUST AGREEMENT.....</b>	<b>48</b>
General .....	48
Security.....	48
Funds and Accounts.....	48
Investment of Certain Funds.....	50
Additional Juvenile Correctional Bonds.....	50
Further Covenants .....	51
Events of Default and Remedies.....	53
Waiver of Events of Default .....	55
Supplemental Juvenile Correctional Trust Agreements.....	55
Defeasance.....	56
Non-Presentment of Juvenile Correctional Bonds .....	57
Payments Due On Saturdays, Sundays and Holidays .....	57
Juvenile Correctional Trustee .....	57
<b>LITIGATION .....</b>	<b>58</b>
<b>ELIGIBILITY UNDER OHIO LAW FOR INVESTMENT AND AS SECURITY FOR THE DEPOSIT OF PUBLIC MONEY.....</b>	<b>58</b>
<b>RATINGS .....</b>	<b>58</b>
<b>TAX MATTERS FOR THE SERIES 2010 TAX-EXEMPT BONDS .....</b>	<b>59</b>
General .....	59
Original Issue Premium .....	60
Original Issue Discount.....	60
<b>TAX MATTERS FOR THE SERIES 2010 TAXABLE BONDS.....</b>	<b>61</b>
<b>CERTAIN LEGAL MATTERS.....</b>	<b>62</b>
<b>INFORMATION CONCERNING THE STATE OF OHIO.....</b>	<b>62</b>
<b>FINANCIAL ADVISOR.....</b>	<b>62</b>
<b>UNDERWRITING .....</b>	<b>62</b>
<b>CONTINUING DISCLOSURE.....</b>	<b>63</b>

CONCLUDING STATEMENT ..... 65

GLOSSARY ..... 66

APPENDIX A - INFORMATION CONCERNING THE STATE OF OHIO

APPENDIX B-1 - PROPOSED TEXTS OF BOND COUNSEL LEGAL OPINIONS FOR TAX-EXEMPT BONDS

APPENDIX B-2 - PROPOSED TEXTS OF BOND COUNSEL LEGAL OPINIONS FOR TAXABLE BONDS

## SUMMARY STATEMENT

The following summary supplements certain of the information on the cover page and summarizes selected other information in this Official Statement relating to the Series 2010 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 Ohio Building Authority.

**SECURITY AND SOURCES OF PAYMENT:** The Series 2010 Bonds are special obligations of the State, issued by the Authority, payable solely from applicable Pledged Receipts. Holders and Book Entry Interest Owners have no right to have excises or taxes levied by the General Assembly for payment.

The Administrative Series 2010 A Bonds and Administrative Series 2010 B Bonds (together, the “Administrative Series 2010 Bonds”) (and Additional Administrative Bonds that have been and may be issued and outstanding) are secured by the Administrative Trust Agreement. Principal and interest on the Administrative Bonds are payable from and secured by a pledge of:

1. Payments received in the Administrative Bond Service Fund from rentals and other revenues and receipts of the Authority under the Administrative Lease.
2. Receipts of the Authority with respect to the Administrative Projects constituting Administrative Pledged Receipts as provided in and subject to the provisions of the Administrative Trust Agreement.

The Highway Safety Series 2010 A Bonds (and Additional Highway Safety Bonds that have been and may be issued and outstanding) are secured by the Highway Safety Trust Agreement. Principal and interest on the Highway Safety Bonds are payable from and secured by a pledge of:

1. Payments received in the Highway Safety Bond Service Fund from rentals and other revenues and receipts of the Authority under the Highway Safety Lease.
2. Receipts of the Authority with respect to the Highway Safety Projects constituting Highway Safety Pledged Receipts as provided in and subject to the provisions of the Highway Safety Trust Agreement.

The Juvenile Correctional Series 2010 A Bonds, the Juvenile Correctional Series 2010 B Bonds and the Juvenile Correctional Series 2010 C Bonds (together, the “Juvenile Correctional Series 2010 Bonds”) (and Additional Juvenile Correctional Bonds that have been and may be issued and outstanding) are secured by the Juvenile Correctional Trust Agreement. Principal and interest on the Juvenile Correctional Bonds are payable from and secured by a pledge of:

1. Payments received in the Juvenile Correctional Bond Service Fund from rentals and other revenues and receipts of the Authority under the Juvenile Correctional Lease.
2. Receipts of the Authority with respect to the Juvenile Correctional Projects constituting Juvenile Correctional Pledged Receipts as provided in and subject to the provisions of the Juvenile Correctional Trust Agreement.

The respective obligations of the DAS, the DPS and the DYS to make rental payments under the Administrative Lease, the Highway Safety Lease and the Juvenile Correctional Lease are subject to and dependent upon separate biennial appropriations being made by the General Assembly for such purposes. Those appropriations may not be made for more than a two year period. The failure of the General Assembly to so appropriate moneys to the DAS, the DPS or the DYS will result in termination of the Lease for which money was not appropriated. The Series 2010 Bonds do not represent or constitute a debt of the Authority, the DAS, the DPS, the DYS, or the State or of any political subdivision thereof, or a pledge of the faith and credit of the State, any political subdivision thereof or the Authority.

**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 Administrative Lease and the Juvenile Correctional Lease are paid with moneys appropriated from the State General Revenue Fund and rental payments under the Highway Safety Lease are paid with moneys appropriated from the State Highway Operating Fund.**

**BUILD AMERICA BONDS:** The Administrative Series 2010 B Bonds and Juvenile Correctional Series 2010 C Bonds are being issued as Federally Taxable Build America Bonds – Direct Payment. See “**INTRODUCTORY STATEMENT – Issuance of Series 2010 Taxable Bonds as Build America Bonds – Direct Payment**” and “**TAX MATTERS FOR THE SERIES 2010 TAXABLE BONDS**”.

**AUTHORIZATION:** The Series 2010 Bonds are being issued under Section 2i of Article VIII of the Ohio Constitution under powers granted to the Authority by Chapter 152 of the Ohio Revised Code. The Authority is a body both corporate and politic of the State. Its five members are appointed by the Governor for six-year terms with the advice and consent of the Senate.

**PURPOSE OF BONDS:** The Administrative Series 2010 Bonds are being issued for the purpose of (i) paying costs of certain Administrative Projects, and (ii) paying costs incidental to the issuance and sale of the Administrative Series 2010 Bonds.

The Highway Safety Series 2010 A Bonds are being issued for the purpose of (i) advance refunding certain maturities of the outstanding State of Ohio (Ohio Building Authority) State Facilities Bonds (Highway Safety Building Fund Projects), 2001 Series A (the “Highway Safety Refunded Bonds”) and (ii) paying costs incidental to the issuance and sale of the Highway Safety Series 2010 A Bonds.

The Juvenile Correctional Series 2010 A Bonds and the Juvenile Correctional Series 2010 C Bonds are being issued for the purpose of (i) paying costs of certain Juvenile Correctional Projects, and (ii) paying costs incidental to the issuance and sale of the Juvenile Correctional Series 2010 A Bonds and the Juvenile Correctional Series 2010 C Bonds.

The Juvenile Correctional Series 2010 B Bonds are being issued for the purpose of (i) advance refunding certain maturities of outstanding State of Ohio (Ohio Building Authority) State Facilities Bonds (Juvenile Correctional Building Fund Projects), 2003 Series A (the “Juvenile Correctional Refunded Bonds”) and (ii) paying costs incidental to the issuance and sale of the Juvenile Correctional Series 2010 B Bonds.

**OPTIONAL REDEMPTION OF SERIES 2010 BONDS:** The Series 2010 Tax-Exempt Bonds are not subject to optional redemption prior to maturity. The Series 2010 Taxable Bonds maturing on and after October 1, 2020 are subject to redemption prior to maturity, at the option of the Authority, either in whole or in part (as selected by the Authority and in integral multiples of \$5,000), on any date on or after April 1, 2020, at 100% of the principal amount redeemed plus interest accrued to the redemption date.

**EXTRAORDINARY REDEMPTION OF SERIES 2010 TAXABLE BONDS:** The Series 2010 Taxable Bonds are also subject to extraordinary optional redemption prior to maturity. See “**THE SERIES 2010 BONDS - Redemption of Series 2010 Bonds - Extraordinary Optional Redemption of the Series 2010 Taxable Bonds.**”

**MANDATORY SINKING FUND REDEMPTION:** The Administrative Series 2010 B Bonds maturing on October 1, 2024 and October 1, 2029 (the “Administrative Series 2010 B Term Bonds”) are subject to mandatory sinking fund redemption by the Authority at par, plus accrued interest to the redemption date, pursuant to mandatory sinking fund requirements of the Administrative Trust Agreement. The Juvenile Correctional Series 2010 C Bond maturing October 1, 2024 (the “Juvenile Correctional Series 2010 C Term Bond”) is subject to mandatory sinking fund redemption by the Authority at par, plus accrued interest to the redemption date, pursuant to mandatory sinking fund requirements of the Juvenile Correctional Trust Agreement. See “**THE SERIES 2010 BONDS - Redemption of Series 2010 Bonds - Mandatory Sinking Fund Redemption.**”

**FORM AND MANNER OF MAKING PAYMENTS:** The Series 2010 Bonds will be originally issued only as fully registered bonds, one for each interest rate of each maturity of each series, under a Book Entry System, and registered initially in the name of DTC. There will be no distribution of Series 2010 Bonds to the ultimate purchasers. The Series 2010 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.

Principal and interest will be payable to the Holder (initially, DTC). Principal will be payable on presentation and surrender to the Administrative Trustee, the Highway Safety Trustee or the Juvenile Correctional Trustee, as applicable. Interest will be transmitted by the applicable Trustee on each Interest Payment Date (April 1 and October 1, beginning October 1, 2010) to the Holder as of the 15th day of the month preceding the Interest Payment Date. Interest on the Series 2010 Bonds will be calculated on a year consisting of twelve 30-day months.

**TAX ISSUES:** In the opinion of Calfee, Halter & Griswold LLP, Bond Counsel, under existing law, assuming continuing compliance with certain covenants and the accuracy of certain representations, (i) interest on the Series 2010 Tax-Exempt Bonds is excluded from gross income for federal income tax purposes, subject to the qualifications described herein, 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 (the Code); and (ii) interest on the Administrative Series 2010A Bonds and the Juvenile Correction Series 2010A Bonds is not treated as an adjustment to adjusted current earnings of a corporation under section 56(g) of the Code. Interest on the Series 2010 Tax-Exempt Bonds may be subject to certain federal taxes imposed only on certain corporations, and certain taxpayers may have other federal income tax consequences as a result of owning the Series 2010 Bonds. (See “**TAX MATTERS FOR SERIES 2010 TAX-EXEMPT BONDS**”). With respect to the Series 2010 Taxable Bonds, INTEREST IS NOT EXCLUDED FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES. The owners of the Series 2010 Taxable Bonds are not entitled to a tax credit as a result of ownership of the Series 2010 Taxable Bonds. (See “**TAX MATTERS FOR SERIES 2010 TAXABLE BONDS**”). Interest on the Series 2010 Bonds, the transfer thereof, and any profit made on their sale, exchange, transfer, or other disposition are exempt from the Ohio personal income tax, the Ohio corporate franchise tax (to the extent calculated on the net income basis), and income taxes imposed by certain local political subdivisions in Ohio. Interest on the Series 2010 Bonds, as is the case with most other forms of interest on debt obligations, is not subject to the Ohio commercial activity tax.

**TRUSTEES AND BOND REGISTRARS:** The Huntington National Bank, Columbus, Ohio, is Trustee and Bond Registrar for the Administrative Series 2010 Bonds, The Bank of New York Mellon Trust Company, N.A. (formerly known as The Bank of New York Trust Company, N.A.), as successor trustee, is the Trustee and Bond Registrar for the Highway Safety Series 2010 A Bonds and the Juvenile Correctional Series 2010 Bonds.

**FINANCIAL ADVISOR:** PRISM Municipal Advisors LLC.

**BOND COUNSEL:** Calfee Halter & Griswold LLP.

**UNDERWRITERS:** Wells Fargo Securities, Fidelity Capital Markets, J.P. Morgan Securities Inc., Rice Financial Products Company and Stifel Nicolaus & Company.

Questions regarding this Official Statement or the Bonds should be directed to Kevin Fenlon, Ohio Building Authority, 30 East Broad Street, Columbus, Ohio 43215-3414, telephone (614) 466-5959.

**\$77,310,000**  
**STATE OF OHIO**  
**(OHIO BUILDING AUTHORITY)**  
**STATE FACILITIES BONDS**  
consisting of

**\$9,005,000**  
**STATE OF OHIO**  
**(Ohio Building Authority)**  
**State Facilities Bonds**  
**(Administrative Building Fund Projects)**  
**2010 Series A**  
**(Tax-Exempt)**

**\$30,995,000**  
**STATE OF OHIO**  
**(Ohio Building Authority)**  
**State Facilities Bonds**  
**(Administrative Building Fund Projects)**  
**2010 Series B**  
**(Federally Taxable – Build America Bonds –**  
**Direct Payment)**

**\$10,860,000**  
**STATE OF OHIO**  
**(Ohio Building Authority)**  
**State Facilities Refunding Bonds**  
**(Highway Safety Building Fund Projects)**  
**2010 Series A**  
**(Tax-Exempt)**

**\$5,445,000**  
**STATE OF OHIO**  
**(Ohio Building Authority)**  
**State Facilities Bonds**  
**(Juvenile Correctional Building Fund**  
**Projects)**  
**2010 Series A**  
**(Tax-Exempt)**

**\$11,450,000**  
**STATE OF OHIO**  
**(Ohio Building Authority)**  
**State Facilities Refunding Bonds**  
**(Juvenile Correctional Building Fund**  
**Projects)**  
**2010 Series B**  
**(Tax-Exempt)**

**\$9,555,000**  
**STATE OF OHIO**  
**(Ohio Building Authority)**  
**State Facilities Bonds**  
**(Juvenile Correctional Building Fund**  
**Projects)**  
**2010 Series C**  
**(Federally Taxable – Build America Bonds –**  
**Direct Payment)**

**INTRODUCTORY STATEMENT**

The purpose of this Official Statement of the Ohio Building Authority (the “Authority”) is to furnish information with respect to the original issuance and sale of \$9,005,000 State of Ohio (Ohio Building Authority) State Facilities Bonds (Administrative Building Fund Projects), 2010 Series A (Tax-Exempt) (the “Administrative Series 2010 A Bonds”), \$30,995,000 State of Ohio (Ohio Building Authority) State Facilities Bonds (Administrative Building Fund Projects), 2010 Series B (Federally Taxable – Build America Bonds – Direct Payment) (the “Administrative Series 2010 B Bonds”), \$10,860,000 State of Ohio (Ohio Building Authority) State Facilities Refunding Bonds (Highway Safety Building Fund Projects), 2010 Series A (Tax-Exempt) (the “Highway Safety Series 2010 A Bonds”), \$5,445,000 State of Ohio (Ohio Building Authority) State Facilities Bonds (Juvenile Correctional Building Fund Projects), 2010 Series A (Tax-Exempt) (the “Juvenile Correctional Series 2010 A Bonds”), \$11,450,000 State of Ohio (Ohio Building Authority) State Facilities Refunding Bonds (Juvenile Correctional Building Fund Projects), 2010 Series B (Tax-Exempt) (the “Juvenile Correctional Series 2010 B Bonds”), and \$9,555,000 State of Ohio (Ohio Building Authority) State Facilities Bonds (Juvenile Correctional Building Fund Projects), 2010 Series C (Federally Taxable – Build America Bonds – Direct Payment) (the “Juvenile Correctional Series 2010 C Bonds”).

The Administrative Series 2010 A Bonds, the Administrative Series 2010 B Bonds, the Highway Safety Series 2010 A Bonds, the Juvenile Correctional Series 2010 A Bonds, the Juvenile Correctional Series 2010 B Bonds and the Juvenile Correctional Series 2010 C Bonds are collectively referred to herein as the “Series 2010 Bonds.” The Administrative Series 2010 A Bonds, the Highway Safety Series 2010 A Bonds, the Juvenile Correctional Series 2010 A Bonds and the Juvenile Correctional Series 2010 B Bonds are collectively referred to herein as the “Series 2010 Tax-Exempt Bonds.” The Administrative Series 2010 B Bonds and the Juvenile Correctional Series 2010 C Bonds are collectively referred to herein as the “Series 2010 Taxable Bonds.” The Administrative Series 2010 A Bonds and the Administrative Series 2010 B Bonds are collectively referred to herein as the “Administrative Series 2010 Bonds.” The Juvenile Correctional Series 2010 A Bonds, the Juvenile Correctional Series 2010 B Bonds and the Juvenile Correctional Series 2010 C Bonds are collectively referred to herein as the “Juvenile Correctional Series 2010 Bonds.”

The Series 2010 Bonds are being issued pursuant to Section 2i of Article VIII of the Ohio Constitution under powers granted to the Authority by the Act. Capitalized terms not otherwise defined in the text of this Official Statement shall have the meanings given to them in the **GLOSSARY** herein.

**The Series 2010 Bonds are six separate series of bonds issued by the Authority. The Administrative Series 2010 Bonds, the Highway Safety Series 2010 A Bonds and the Juvenile Correctional Series 2010 Bonds are issued under separate trust agreements (the Administrative Trust Agreement, the Highway Safety Trust Agreement and the Juvenile Correctional Trust Agreement, respectively), and each are payable separately and from separate sources of payments (the Administrative Lease and appropriations by the General Assembly for rental payments under the Administrative Lease in the case of the Administrative Series 2010 Bonds, the Highway Safety Lease and appropriations by the General Assembly for rental payments under the Highway Safety Lease in the case of the Highway Safety Series 2010 A Bonds and the Juvenile Correctional Lease and appropriations by the General Assembly for rental payments under the Juvenile Correctional Lease in the case of the Juvenile Correctional Series 2010 Bonds). Provisions applicable to, including but not limited to, any default under the Administrative Trust Agreement, the Highway Safety Trust Agreement or the Juvenile Correctional Trust Agreement are not applicable to, and will not constitute or cause a default under, any of the other Trust Agreements.**

#### **Issuance of Series 2010 Taxable Bonds as Build America Bonds – Direct Payment.**

In February 2009, as part of the American Recovery and Reinvestment Act of 2009, Congress added Sections 54AA and 6431 to the Internal Revenue Code of 1986 (the Code) which permit state or local governments to obtain certain financial advantages when issuing certain taxable obligations referred to as “Build America Bonds”. The Authority is issuing the Series 2010 Taxable Bonds as Build America Bonds under Section 6431 of the Code and will apply to receive payments directly from the Secretary of the United States Treasury equal to thirty-five percent (35%) of the corresponding interest payable on the Series 2010 Taxable Bonds. Those direct payments received from the United States Treasury for the Series 2010 Taxable Bonds are not pledged as security for payment of debt service on the Series 2010 Taxable Bonds.

#### **The Administrative Series 2010 Bonds**

The Administrative Series 2010 Bonds will be issued under the Trust Agreement dated as of January 15, 1991 (the “Original Administrative Trust Agreement”) between the Authority and The Huntington National Bank, as Trustee (the “Administrative Trustee”), and the Twentieth Supplemental Trust Agreement dated as of March 1, 2010 (the “Twentieth Supplemental Administrative Trust Agreement”) between the Authority and the Administrative Trustee. (The Original Administrative Trust Agreement, as amended and supplemented to date and by the Twentieth Supplemental Administrative Trust Agreement, is hereinafter referred to as the “Administrative Trust Agreement.”) The Administrative Series 2010 Bonds are authorized by Resolution No. 1990-12 adopted by the Authority on December 12, 1990 (the “Administrative General Bond Resolution”) and Series Resolution No. 2010-1 adopted by the Authority on March 17, 2010 (the “Administrative Series 2010 Resolution” and, collectively with the Administrative General Bond Resolution, as amended and supplemented to date, the “Administrative Resolutions”).

Proceeds from the sale of the Administrative Series 2010 Bonds will be used for the purpose of (i) paying the costs of acquiring, constructing, reconstructing, rehabilitating, remodeling, renovating, enlarging, improving, altering, equipping and furnishing certain Administrative Projects, including the sites thereof, to be leased to the Department of Administrative Services of the State of Ohio (the “DAS”) and (ii) paying costs incidental to the issuance and sale of the Administrative Series 2010 Bonds. See “**SOURCES AND USES OF BOND PROCEEDS.**”

The Authority has leased the Administrative Projects to the DAS pursuant to the terms of a Lease Agreement dated as of January 15, 1991 (the “Original Administrative Lease”), between the Authority and the DAS, and a Twentieth Supplemental Lease dated as of March 1, 2010 (the “Twentieth Supplemental Administrative Lease”) between the Authority and the DAS. (The Original Administrative Lease, as amended and supplemented to date, and by the Twentieth Supplemental Administrative Lease, is hereinafter referred as the “Administrative Lease.”) The current term of the Administrative Lease expires June 30, 2011 and is renewable automatically for successive terms not to exceed two years upon appropriation by the General Assembly to the DAS of the amounts required for rental payments for each successive term.

The Administrative Lease requires rental payments from the DAS sufficient to pay the Bond Service Charges on the Administrative Series 2010 Bonds and any other obligations issued under the Administrative Trust Agreement (collectively, the “Administrative Bonds”), certain administrative costs of the Authority and any additional amounts required to be paid into the Administrative Rebate Fund. The rental payments constituting Basic Rent (see “**THE ADMINISTRATIVE LEASE - Rental Payments and Pledges**”) from the DAS are pledged by the Authority pursuant to the Administrative Trust Agreement for the payment of Bond Service Charges on the Administrative Bonds and are required to be deposited as described herein under “**THE ADMINISTRATIVE TRUST AGREEMENT - Funds and Accounts.**”

**The obligations of the DAS to make rental payments and to perform other obligations involving expenditures under the Administrative Lease are subject to and dependent upon biennial appropriations for the DAS being made by the General Assembly for such purpose. If the General Assembly were to fail to appropriate moneys to renew the Administrative Lease, the Administrative Lease would terminate. Under the Administrative Lease, the Authority has waived all rights it may have to recover possession of the Administrative Projects in the event of the termination of the Administrative Lease; further, the Administrative Trust Agreement and the Act prohibit the Administrative Trustee from taking possession of or operating the Administrative Projects.**

### **The Highway Safety Series 2010 A Bonds**

The Highway Safety Series 2010 A Bonds will be issued under the Trust Agreement dated as of September 15, 1994 (the “Original Highway Safety Trust Agreement”) between the Authority and The Bank of New York Mellon Trust Company, N.A., as successor Trustee (the “Highway Safety Trustee”), and the Eighth Supplemental Trust Agreement dated as of March 1, 2010 (the “Eighth Supplemental Highway Safety Trust Agreement”) between the Authority and the Highway Safety Trustee (the Original Highway Safety Trust Agreement as amended and supplemented to date and by the Eighth Supplemental Highway Safety Trust Agreement is hereinafter referred to as the “Highway Safety Trust Agreement”). The Highway Safety Series 2010 A Bonds are authorized by Resolution No. 1994-24 adopted by the Authority on September 21, 1994 (the “Highway Safety General Bond Resolution”) and Resolution No. 2010-2 adopted by the Authority on March 17, 2010 (the “Highway Safety Series 2010 A Resolution” and together with the Highway Safety General Bond Resolution as amended and supplemented to date, the “Highway Safety Resolutions”).

Proceeds from the sale of the Highway Safety Series 2010 A Bonds will be used for the purpose of (i) advance refunding the Highway Safety Refunded Bonds previously issued to pay costs of acquiring, constructing, reconstructing, rehabilitating, remodeling, renovating, enlarging, improving, altering, equipping and furnishing the Highway Safety Projects, including the sites thereof, to be leased to the Department of Public Safety of the State (the “DPS”) and (ii) paying costs incidental to the issuance and sale of the Highway Safety Series 2010 A Bonds. See “**SOURCES AND USES OF BOND PROCEEDS.**”

The Authority has leased the Highway Safety Projects to the DPS pursuant to the terms of an Amended and Restated Lease Agreement dated as of April 1, 1996 (the “Original Highway Safety Lease”) between the Authority and the DPS, and an Eighth Supplemental Lease Agreement dated as of March 1, 2010 (the “Eighth Supplemental Highway Safety Lease”) between the Authority and the DPS. (The Original Highway Safety Lease, as amended and supplemented to date, and by the Eighth Supplemental Highway Safety Lease, is referred to herein as the “Highway Safety Lease”). The current term of the Highway Safety Lease expires on June 30, 2011 and is renewed automatically for successive terms not to exceed two years upon appropriation of the General Assembly to the DPS of the amounts required for rental payments for each successive term.

The Highway Safety Lease requires rental payments from the DPS sufficient to pay the Bond Service Charges on the Highway Safety Series 2010 A Bonds and any other obligations issued under the Highway Safety Trust Agreement (collectively, the “Highway Safety Bonds”), certain administrative costs of the Authority and any additional amounts to be paid into the Highway Safety Rebate Fund. The rental payments consisting of Basic Rent (see “**THE HIGHWAY SAFETY LEASE - Rental Payments and Pledges**”) from the DPS are pledged by the Authority pursuant to the Highway Safety Trust Agreement for the payment of Bond Service Charges on the Highway Safety Bonds and are required to be deposited as described herein under “**THE HIGHWAY SAFETY TRUST AGREEMENT - Funds and Accounts.**”

**The obligations of the DPS to make rental payments and to perform other obligations involving expenditures under the Highway Safety Lease are subject to and dependent upon biennial appropriations for the DPS being made by the General Assembly for such purpose. If the General Assembly were to fail to appropriate moneys to renew the Highway Safety Lease, the Highway Safety Lease would terminate. Under the Highway Safety Lease, the Authority has waived all rights it may have to recover possession of the Highway Safety Projects in the event of the termination of the Highway Safety Lease; further, the Highway Safety Trust Agreement and the Act prohibit the Highway Safety Trustee from taking possession of or operating the Highway Safety Projects.**

### **The Juvenile Correctional Series 2010 Bonds**

The Juvenile Correctional Series 2010 Bonds will be issued under the Trust Agreement dated as of June 1, 1990 (the "Original Juvenile Correctional Trust Agreement") between the Authority and The Bank of New York Mellon Trust Company, N.A., as successor Trustee (the "Juvenile Correctional Trustee"), and the Thirteenth Supplemental Trust Agreement dated as of March 1, 2010 (the "Thirteenth Supplemental Juvenile Correctional Trust Agreement") between the Authority and the Juvenile Correctional Trustee (the Original Juvenile Correctional Trust Agreement, as amended and supplemented to date, and by the Thirteenth Supplemental Juvenile Correctional Trust Agreement is hereinafter referred to as the "Juvenile Correctional Trust Agreement"). The Juvenile Correctional Series 2010 Bonds are authorized by Resolution No. 1990-3 adopted by the Authority on June 5, 1990, as amended from time to time, (the "Juvenile Correctional General Bond Resolution") and Resolution No. 2010-3 adopted by the Authority on March 17, 2010 (the "Juvenile Correctional Series 2010 Resolution" and together with the Juvenile Correctional General Bond Resolution as amended and supplemented to date, the "Juvenile Correctional Resolutions").

Proceeds from the sale of the Juvenile Correctional Series 2010 A Bonds and the Juvenile Correctional Series 2010 C Bonds will be used for the purpose of (i) paying costs of acquiring, constructing, reconstructing, rehabilitating, remodeling, renovating, enlarging, improving, altering, equipping and furnishing certain Juvenile Correctional Projects, including the sites thereof, to be leased to the Department of Youth Services of the State (the "DYS") and (ii) paying costs incidental to the issuance and sale of the Juvenile Correctional Series 2010 A Bonds and the Juvenile Correctional Series 2010 C Bonds. Proceeds from the sale of the Juvenile Correctional Series 2010 B Bonds will be used for the purpose of (i) advance refunding the Juvenile Correctional Refunded Bonds previously issued to pay costs of acquiring, constructing, reconstructing, rehabilitating, remodeling, renovating, enlarging, improving, altering, equipping and furnishing the Juvenile Correctional Projects, including the sites thereof, to be leased to the Department of Youth Services of the State (the "DYS") and (ii) paying costs incidental to the issuance and sale of the Juvenile Correctional Series 2010 B Bonds. See **"SOURCES AND USES OF BOND PROCEEDS."**

The Authority has leased the Juvenile Correctional Projects to the Department of Youth Services of the State (the "DYS") pursuant to the terms of an Agreement of Lease dated as of June 1, 1990 (the "Original Juvenile Correctional Lease") between the Authority and the Department of Youth Services of the State, and a Thirteenth Supplemental Lease Agreement dated as of March 1, 2010 (the "Thirteenth Supplemental Juvenile Correctional Lease") between the Authority and the Department of Youth Services of the State. (The Original Juvenile Correctional Lease, as amended and supplemented to date, and by the Thirteenth Supplemental Juvenile Correctional Lease, is referred to herein as the "Juvenile Correctional Lease"). The current term of the Juvenile Correctional Lease expires on June 30, 2011 and is renewed automatically for successive terms not to exceed two years upon appropriation of the General Assembly to the Department of Youth Services of the State of the amounts required for rental payments for each successive term.

The Juvenile Correctional Lease requires rental payments from the Department of Youth Services of the State sufficient to pay the Bond Service Charges on the Juvenile Correctional Series 2010 Bonds and any other obligations issued under the Juvenile Correctional Trust Agreement (collectively, the "Juvenile Correctional Bonds"), certain administrative costs of the Authority and any additional amounts to be paid into the Juvenile Correctional Rebate Fund. The rental payments constituting Basic Rent (see **"THE JUVENILE CORRECTIONAL LEASE - Rental Payments and Pledges"**) from the Department of Youth Services of the State are pledged by the Authority pursuant to the Juvenile Correctional Trust Agreement for the payment of Bond Service Charges on the Juvenile Correctional Bonds and are required to be deposited as described herein under **"THE JUVENILE CORRECTIONAL TRUST AGREEMENT - Funds and Accounts."**

The obligations of the DYS to make rental payments and to perform other obligations involving expenditures under the Juvenile Correctional Lease are subject to and dependent upon biennial appropriations for the DYS being made by the General Assembly for such purpose. If the General Assembly were to fail to appropriate moneys to renew the Juvenile Correctional Lease, the Juvenile Correctional Lease would terminate. Under the Juvenile Correctional Lease, the Authority has waived all rights it may have to recover possession of the Juvenile Correctional Projects in the event of the termination of the Juvenile Correctional Lease; further, the Juvenile Correctional Trust Agreement and the Act prohibit the Juvenile Correctional Trustee from taking possession of or operating the Juvenile Correctional Projects.

### **Rental Payments and Bond Service Charges**

Based upon the projected Bond Service Charges on the Series 2010 Bonds and the Authority's estimated administrative expenses for the Administrative Projects, the Highway Safety Projects and the Juvenile Correctional Projects (collectively, the "Projects") for the biennium ending June 30, 2011, the respective amounts appropriated by the General Assembly for the rental payments to the Authority by the DAS under the Administrative Lease, by the DPS under the Highway Safety Lease and by the DYS under the Juvenile Correctional Lease will be sufficient to pay, with respect to the Administrative Projects, the Highway Safety Projects and the Juvenile Correctional Projects, such Bond Service Charges and certain administrative expenses of the Authority for such biennium, including any amounts due as Additional Rent under the respective Lease.

This Official Statement contains brief descriptions of the Series 2010 Bonds, the security for the Series 2010 Bonds, the Authority, the DAS, the DPS, the DYS, the Projects, the Administrative Lease, the Highway Safety Lease, the Juvenile Correctional Lease, the Administrative Trust Agreement, the Highway Safety Trust Agreement and the Juvenile Correctional 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 Administrative Lease and the Juvenile Correctional Lease are paid with moneys appropriated from the State's General Revenue Fund and rental payments under the Highway Safety Lease are paid with moneys appropriated from the State Highway Operating Fund.**

All financial and other data included herein have been provided by the Authority, the DAS, the DPS, the DYS, 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 Administrative Lease, the Highway Safety Lease, the Juvenile Correctional Lease, the Administrative Trust Agreement, the Highway Safety Trust Agreement and the Juvenile Correctional Trust Agreement may be obtained from the Authority and, during the initial offering period, from the Underwriters.

## **THE SERIES 2010 BONDS**

### **General**

The Series 2010 Bonds will be dated the date of their initial issuance. The Series 2010 Bonds will bear interest at the rates, payable semiannually on the Interest Payment Dates, and will mature in the years and in the principal amounts set forth on the inside front cover page. Interest on the Series 2010 Bonds will be calculated on the basis of a year consisting of twelve 30-day months.

**The Series 2010 Bonds are six separate series of bonds issued by the Authority. The Administrative Series 2010 Bonds, the Highway Safety Series 2010 A Bonds and the Juvenile Correctional Series 2010 Bonds are issued under separate trust agreements (the Administrative Trust Agreement, the Highway Safety Trust Agreement and the Juvenile Correctional Trust Agreement, respectively), and each are payable separately and from separate sources of payments (the Administrative Lease and appropriations by the General Assembly for rental payments under the Administrative Lease in the case of the Administrative Series 2010 Bonds, the Highway Safety Lease and appropriations by the General Assembly for rental payments under the Highway Safety Lease in the case of the Highway Safety Series 2010 A Bonds and the Juvenile Correctional**

**Lease and appropriations by the General Assembly for rental payments under the Juvenile Correctional Lease in the case of the Juvenile Correctional Series 2010 Bonds). Provisions applicable to, including but not limited to, any default under the Administrative Trust Agreement, the Highway Safety Trust Agreement or the Juvenile Correctional Trust Agreement are not applicable to, and will not constitute or cause a default under, any of the other Trust Agreements.**

**Registration, Payment and Transfer**

The Series 2010 Bonds of each series will be issued and issuable only as one fully registered bond for each interest rate for each respective maturity of each such series in the name of Cede & Co., as nominee for The Depository Trust Company (“DTC”), New York, New York, as Holder of all the Series 2010 Bonds. The fully registered Series 2010 Bonds of each series will be retained and immobilized in the custody of DTC. See “**BOOK-ENTRY FORM.**” As used in this Official Statement, “Holder” means the registered owner of a Series 2010 Bond and “Book Entry Interest Owner” means the owner of a book-entry interest in a Series 2010 Bond held by a Depository in Book-Entry Form. DTC (or any successor securities depository), or its nominee, for all purposes under the Administrative Trust Agreement, the Highway Safety Trust Agreement and the Juvenile Correctional Trust Agreement will be and will be considered to be the sole Holder of the Administrative Series 2010 Bonds, the Highway Safety Series 2010 A Bonds and the Juvenile Correctional Series 2010 Bonds, respectively.

**Payments of Bond Service Charges on the Series 2010 Bonds**

The principal of the Series 2010 Bonds will be payable to the Holder (initially DTC, or its nominee) upon presentation and surrender of the Series 2010 Bonds at the designated corporate trust office of the Administrative Trustee, the Highway Safety Trustee or the Juvenile Correctional Trustee, as applicable. The Series 2010 Bonds will bear interest on their unpaid principal amounts payable on each applicable Interest Payment Date to the Holder (initially DTC, or its nominee) at the address shown on the applicable Bond Register as of the close of business on the 15th day of the calendar month next preceding such Interest Payment Date; provided that, so long as a series of the Series 2010 Bonds remains in Book-Entry Form, the Trustee for such series of the Series 2010 Bonds will make any respective payment of Bond Service Charges on such series by wire transfer of funds on each applicable Interest Payment Date.

**Redemption of Series 2010 Bonds**

Any redemption of any series of Series 2010 Bonds is independent of and separate from any redemption of any other series of Series 2010 Bonds. The Series 2010 Bonds are subject to optional redemption as described below.

Optional Redemption of Series 2010 Bonds. The Series 2010 Tax-Exempt Bonds are not subject to optional redemption prior to maturity. The Series 2010 Taxable Bonds maturing on and after October 1, 2020 are subject to redemption prior to maturity, at the option of the Authority, either in whole or in part (as selected by the Authority and in integral multiples of \$5,000), on any date on or after April 1, 2020, at 100% of the principal amount redeemed plus interest accrued to the redemption date.

Mandatory Sinking Fund Redemption. The Administrative Series 2010 B Bond maturing on October 1, 2024 is subject to mandatory sinking fund redemption by the Authority at par, plus accrued interest to the redemption date, pursuant to the mandatory sinking fund requirements of the Administrative Trust Agreement as follows:

<u>Redemption Date</u>	<u>Amount</u>
October 1, 2023	\$2,310,000
October 1, 2024 <sup>+</sup>	\$2,435,000

<sup>+</sup> Stated maturity

The Administrative Series 2010 B Bond maturing on October 1, 2029, is subject to mandatory sinking fund redemption by the Authority at par, plus accrued interest to the redemption date, pursuant to the mandatory sinking fund requirements of the Administrative Trust Agreement as follows:

<u>Redemption Date</u>	<u>Amount</u>
October 1, 2026	\$2,730,000
October 1, 2027	\$2,900,000
October 1, 2028	\$3,085,000
October 1, 2029 <sup>+</sup>	\$3,275,000

The principal amount of each Administrative Series 2010 B Term Bond required to be redeemed by operation of the mandatory sinking fund schedules set forth above may be reduced by the principal amount of any such Administrative Series 2010 B Term Bond which has been theretofore delivered by the Authority to the Administrative Trustee for cancellation, or theretofore redeemed (but not through the operation of the mandatory sinking fund) or purchased or determined to be purchased by the Administrative Trustee and which has not theretofore been made the basis of such reduction, as provided in the Administrative Trust Agreement.

The Juvenile Correctional Series 2010 C Bond maturing on October 1, 2024 is subject to mandatory sinking fund redemption by the Authority at par, plus accrued interest to the redemption date, pursuant to the mandatory sinking fund requirements of the Juvenile Correctional Trust Agreement as follows:

<u>Redemption Date</u>	<u>Amount</u>
October 1, 2023	\$1,340,000
October 1, 2024 <sup>+</sup>	\$1,415,000

The principal amount of the Juvenile Series 2010 C Term Bond required to be redeemed by operation of the mandatory sinking fund schedule set forth above may be reduced by the principal amount of any Juvenile Correctional Series 2010 C Term Bond which has been theretofore delivered by the Authority to the Juvenile Correctional Trustee for cancellation, or theretofore redeemed (but not through the operation of the mandatory sinking fund) or purchased or determined to be purchased by the Juvenile Correctional Trustee and which has not theretofore been made the basis of such reduction, as provided in the Juvenile Correctional Trust Agreement.

Extraordinary Optional Redemption of the Series 2010 Taxable Bonds. The Authority is issuing the Series 2010 Taxable Bonds as “Build America Bonds – Direct Payment” under Section 6431 of the Internal Revenue Code enacted as part of the American Recovery and Reinvestment Act of 2009, and will apply to receive payments directly from the Secretary of the United States Treasury equal to thirty-five percent (35%) of the corresponding interest payable on the related Series 2010 Taxable Bonds. Those direct payments from the United States Treasury for the Series 2010 Taxable Bonds are not pledged as security for payment of debt service on the Series 2010 Taxable Bonds.

The Series 2010 Taxable Bonds are subject to redemption prior to maturity at the option of the Authority, in whole or in part (as selected by the Authority and in integral multiples of \$5,000), on any date prior to April 1, 2020 in the event that the government of the United States of America evidences, in the sole judgment of the Authority, by action or failure to act, that it will not provide for direct payments to be made to the Authority in an amount equal to or greater than thirty-five percent (35%) of the interest payable on the Series 2010 Taxable Bonds on any interest payment date. The redemption price (the “Extraordinary Redemption Price”) will be equal to the greater of:

- (1) 100% of the principal amount of the Series 2010 Taxable Bonds to be redeemed; or

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<sup>+</sup> Stated maturity

(2) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of the Series 2010 Taxable Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which those Series 2010 Taxable Bonds are to be redeemed, discounted to the date on which those Series 2010 Taxable Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate (described below) plus 125 basis points; plus, in each case, accrued interest on the Series 2010 Taxable Bonds to be redeemed to the redemption date.

For purposes of determining the Extraordinary Optional Redemption Price:

“Designated Investment Banker” means the independent accounting firm, investment banking firm or financial advisor appointed by the Authority and acceptable to the Trustee to determine the Extraordinary Redemption Price.

“Comparable Treasury Issue” means, with respect to any redemption date for a particular Series 2010 Taxable Bond, the United States Treasury security or securities selected by the Designated Investment Banker that has an actual or interpolated maturity comparable to the remaining average life of the Series 2010 Taxable Bond to be redeemed, and that would be utilized in accordance with customary financial practice in pricing new issues of debt securities of comparable maturity to the remaining average life of the Series 2010 Taxable Bond to be redeemed.

“Comparable Treasury Price” means, with respect to any redemption date for a particular Series 2010 Taxable Bond, (i) if the Designated Investment Banker receives at least four Reference Treasury Dealer Quotations (defined below), the average of such quotations for such redemption date, after excluding the highest and lowest Reference Treasury Dealer Quotations, or (ii) if the Designated Investment Banker obtains fewer than four Reference Treasury Dealer Quotations, the average of all such quotations.

“Reference Treasury Dealer” means each of the firms, specified by the Designated Investment Banker and reasonably acceptable to the Trustee, that are primary United States government securities dealers (each a “Primary Treasury Dealer”).

“Reference Treasury Dealer Quotations” means, with respect to each Reference Treasury Dealer and any redemption date for a particular Series 2010 Taxable Bond, the average, as determined by the Designated Investment Banker, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its primary amount) quoted in writing to the Designated Investment Banker by such Reference Treasury Dealer at 3:30 P.M., New York City time, on the third Business Day preceding such redemption.

“Treasury Rate” means, with respect to any redemption date for a particular Series 2010 Taxable Bond, the rate per annum, expressed as a percentage of the principal amount, equal to the semiannual equivalent yield to maturity or interpolated maturity of the Comparable Treasury Issue, assuming that the Comparable Treasury Issue is purchased on the redemption date for a price equal to the Comparable Treasury Price, as calculated by the Designated Investment Banker.

The Extraordinary Redemption Price, as determined by the Designated Investment Banker, shall be conclusive and binding on the owners of the Series 2010 Taxable Bonds.

### **Selection of Series 2010 Bonds to be Redeemed**

If fewer than all of any series of the Series 2010 Bonds are to be called for redemption, the Authority will determine the maturities of the Series 2010 Bonds to be redeemed. If fewer than all of the Series 2010 Bonds of a single maturity of any series are to be redeemed, the selection of the Series 2010 Bonds to be redeemed, or portions thereof in amounts of \$5,000 or any integral multiple thereof, will, so long as such series of Series 2010 Bonds remain in Book-Entry Form, be made by the Depository and the Participants (currently by way of lottery process), and otherwise will be made at random by the Administrative Trustee, the Highway Safety Trustee or the Juvenile Correctional Trustee, as the case may be, in the manner as such Trustee, in its discretion, may determine.

### **Notice and Procedure for Redemption**

Notice of call for any redemption of any Series 2010 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 Administrative Trustee, the Highway Safety Trustee or the Juvenile Correctional Trustee, as the case may be, on behalf of the Authority, by mailing a copy of the redemption notice, at least 30 days prior to the date fixed for redemption, to the Holders of the Series 2010 Bonds to be redeemed as shown on the Bond Register for those Series 2010 Bonds, at the close of business on the 15th day preceding such mailing, 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 2010 Bond will not affect the validity of the proceedings for the redemption of any other Series 2010 Bond. So long as the Series 2010 Bonds remain in Book-Entry Form, the Administrative Trustee, the Highway Safety Trustee or the Juvenile Correctional Trustee, as the case may be, will send the notice for those Series 2010 Bonds to the Depository, currently DTC, or its nominee. Any failure of the Depository to notify any Direct or Indirect Participant, or of any Direct or Indirect Participant to notify the Book Entry Interest Owner of any such notice, will not affect the validity of the redemption of the Series 2010 Bonds.

### **Additional Bonds**

Pursuant to the Administrative Trust Agreement, the Highway Safety Trust Agreement and the Juvenile Correctional Trust Agreement, the Authority has previously issued Additional Bonds for the purpose of paying the Project Costs for which the Authority may issue Additional Bonds under the respective Trust Agreements or for the purpose of refunding one or more series or one or more maturities within a series of Administrative Bonds, Highway Safety Bonds or Juvenile Correctional Bonds, respectively. The Authority may issue further Additional Bonds under each of the Trust Agreements for the purpose of paying applicable Project Costs in an amount not exceeding the amount authorized by the General Assembly or for the purpose of refunding one or more series or one or more maturities within a series of Administrative Bonds, Highway Safety Bonds or Juvenile Correctional Bonds, respectively (including but not limited to the Series 2010 Bonds). The General Assembly can, by legislation, increase or decrease the amount authorized for any of the Projects. Such Additional Bonds will be payable from the Administrative Pledged Receipts, Highway Safety Pledged Receipts or Juvenile Correctional Pledged Receipts under the Administrative Trust Agreement, Highway Safety Trust Agreement or Juvenile Correctional Trust Agreement, respectively, on a parity with the bonds and other obligations outstanding under the Administrative Trust Agreement, Highway Safety Trust Agreement and Juvenile Correctional Trust Agreement, respectively, including the applicable series of Series 2010 Bonds.

## **BOOK-ENTRY FORM**

### **General**

**Book Entry Interest Owners of any series of the Series 2010 Bonds will not receive or have the right to receive physical delivery of Series 2010 Bonds of such series and will not be or be considered to be, and will not have any rights as, Holders of Series 2010 Bonds of such series under the respective Trust Agreements.**

The following information on the Book-Entry System applicable to the Series 2010 Bonds has been supplied by DTC. The Authority, the DAS, the DPS, the DYS, the Underwriters, the Administrative Trustee, the Highway Safety Trustee and the Juvenile Correctional Trustee do not make any representations, warranties or guarantees with respect to the accuracy or completeness of this information and have no responsibility for the accuracy thereof.

DTC will act as securities depository for each series of the Series 2010 Bonds. The Series 2010 Bonds will be issued as fully-registered securities 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 interest rate for each respective maturity of each series of the Series 2010 Bonds, each in the aggregate principal amount of such maturity and interest rate and will be deposited with DTC.

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, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

Purchases of Series 2010 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2010 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2010 Bond ("Book Entry Interest Owner" or "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 Series 2010 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 Series 2010 Bonds, except in the event that use of the book-entry system for the Series 2010 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2010 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 Series 2010 Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2010 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2010 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2010 Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Series 2010 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of Series 2010 Bonds may wish to ascertain that the nominee holding the Series 2010 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 applicable Trustee and request that copies of the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2010 Bonds within an issue are being redeemed, DTC's practice, absent other arrangement (See "**THE SERIES 2010 BONDS - Selection of**

**Series 2010 Taxable Bonds and Book Entry Interests to be Redeemed**”), is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Series 2010 Bonds unless authorized by a Direct Participant in accordance with DTC’s procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.’s consenting or voting rights to those Direct Participants to whose accounts the Series 2010 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Bond Service Charges on the Series 2010 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 Authority or the applicable Trustee, 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 applicable Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of Bond Service Charges to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the applicable Trustee, 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 the Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 2010 Bonds, or any series thereof, at any time by giving reasonable notice to the Authority or the applicable Trustee. Under such circumstances, in the event that a successor depository is not obtained, Series 2010 Bond certificates for each such series of Series 2010 Bonds are required to be printed and delivered. See “**BOOK-ENTRY FORM - Revision of Book-Entry System; Series 2010 Replacement Bonds**” below.

The Authority may decide to discontinue use of the system of Book-entry-only transfers through DTC (or a successor securities depository). In that event Series 2010 Bond certificates will be printed and delivered to DTC.

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

#### **Revision of Book-Entry System; Series 2010 Replacement Bonds**

The Administrative Trust Agreement, the Highway Safety Trust Agreement and the Juvenile Correctional Trust Agreement provide for the physical delivery of fully registered Series 2010 Bonds (“Series 2010 Replacement Bonds”), of the respective series thereof issued, directly or indirectly, to Holders, other than DTC or its nominee, of such Series 2010 Bonds if the Authority determines that continuation of a securities depository/book-entry relationship is not in the best interests of the Holders of any series of Series 2010 Bonds or in the event that DTC determines not to continue to act as securities depository for such series of Series 2010 Bonds. Upon the occurrence of any such event with respect to any series of Series 2010 Bonds, the Authority may in its discretion attempt to have established a securities depository/book-entry relationship with another qualified securities depository for such series of Series 2010 Bonds. If the Authority does not, or is unable to, establish such a relationship and after the Trustee for such series of the Series 2010 Bonds has made provisions for notification of the Book Entry Interest Owners of the affected Series 2010 Bonds by appropriate notice to DTC or its nominee, such Trustee will authenticate and deliver the Series 2010 Replacement Bonds of the applicable series in the denomination of \$5,000 or any integral multiple thereof, to or at the direction of, and, if the event is not the result of Authority action or inaction, at the expense (including printing costs) of DTC’s assigns.

Bond Service Charges on Series 2010 Replacement Bonds will be payable when due without deduction for the services of the applicable paying agent. Principal of and any premium on any Series 2010 Replacement Bonds will be payable to the Holder thereof upon presentation and surrender thereof at the designated corporate trust office of the Trustee for such series of Series 2010 Bonds. Interest thereon will be payable by the Trustee by check or

draft, mailed to the Holder of record on the Bond Register maintained by such Trustee as of the 15th day of the calendar month preceding the Interest Payment Date.

Series 2010 Replacement Bonds will be exchangeable for Series 2010 Replacement Bonds of the same series in authorized denominations, and transferable, at the designated office of the Trustee for such series of Series 2010 Bonds without charge (except taxes and other governmental fees). Exchange or transfer of then redeemable Series 2010 Replacement Bonds is not required to be made (i) between the 15th day preceding the mailing of notice of Series 2010 Replacement Bonds of such series to be redeemed and the date of that mailing, or (ii) in the case of a particular Series 2010 Replacement Bond selected for redemption (in whole or in part).

**Transfer of Book-Entry Interests in Series 2010 Bonds**

The rights of Book Entry Interest Owners in the Series 2010 Bonds and the manner of transferring or pledging those interests is subject to applicable state law. Book Entry Interest Owners in the Series 2010 Bonds may wish to discuss the manner of transferring or pledging their book-entry interests in such Series 2010 Bonds with their legal advisors.

**SOURCES AND USES OF BOND PROCEEDS AND PLAN OF REFUNDING**

The proceeds of each series of Series 2010 Bonds, together with certain other available moneys, will be applied for the following uses and purposes:

	<b>Administrative Series 2010 A Bonds</b>	<b>Administrative Series 2010 B Bonds</b>	<b>Highway Safety Series 2010 A Bonds</b>	<b>Juvenile Correctional Series 2010 A Bonds</b>	<b>Juvenile Correctional Series 2010 B Bonds</b>	<b>Juvenile Correctional Series 2010 C Bonds</b>
<b><u>Sources of Funds:</u></b>						
Par Amount	\$9,005,000.00	\$30,995,000.00	\$10,860,000.00	\$5,445,000.00	\$11,450,000.00	\$9,555,000.00
Premium	773,931.25	N/A	1,219,215.10	211,857.10	1,693,277.90	N/A
Original Issue Discount	_____	_____	(5,245.20)	_____	_____	_____
Total Sources	<u>\$9,778,931.25</u>	<u>\$30,995,000.00</u>	<u>\$12,073,969.90</u>	<u>\$5,656,857.10</u>	<u>\$13,143,277.90</u>	<u>\$9,555,000.00</u>
<b><u>Uses of Funds:</u></b>						
Deposit to Bond Retirement Fund	\$450,141.23	N/A	\$3,915.28	\$91,497.15	\$2,145.89	N/A
Deposit to Project Fund	9,260,631.71	30,739,368.29	N/A	5,525,463.03	N/A	9,474,536.97
Deposit to the Escrow Account (SLGS Purchases)	N/A	N/A	11,988,340.00	N/A	13,055,360.00	N/A
Financing Costs <sup>1</sup>	<u>68,158.31</u>	<u>255,631.71</u>	<u>81,714.62</u>	<u>39,896.92</u>	<u>85,772.01</u>	<u>80,463.03</u>
Total Uses	<u>\$9,778,931.25</u>	<u>\$30,995,000.00</u>	<u>\$12,073,969.90</u>	<u>\$5,656,857.10</u>	<u>\$13,143,277.90</u>	<u>\$9,555,000.00</u>

<sup>1</sup> Includes underwriters' discount, certain legal fees, financial advisory fees, fees of verification agent, printing costs and other costs of issuance.

### **Administrative Series 2010 Bonds**

The proceeds received by the Authority from the sale of the Administrative Series 2010 Bonds will be deposited in the Administrative Building Fund to pay costs of acquiring, constructing, reconstructing, rehabilitating, remodeling, renovating, enlarging, improving, altering, equipping and furnishing Administrative Projects, including the sites thereof, for lease by the Authority to the DAS for housing personnel, equipment or functions or any combination thereof that the DAS is responsible for housing, all as and to the extent provided in the Act and the Administrative Resolutions. Issuance costs (excluding underwriting discount) incurred by the Authority in connection with the issuance of the Administrative Series 2010 Bonds will be paid from proceeds of the Administrative Series 2010 Bonds and/or rental payments made by the DAS pursuant to the Administrative Lease.

### **Highway Safety Series 2010 A Bonds**

A portion of the premium received by the Authority from the sale of the Highway Safety Series 2010 A Bonds will be used to pay costs of issuance of the Highway Safety Series 2010 A Bonds. All remaining proceeds received by the Authority from the sale of the Highway Safety Series 2010 A Bonds will be used to purchase direct obligations of, or obligations the payment of the principal of and premium, if any, and interest on which are unconditionally guaranteed by, the United States of America (the "Defeasance Obligations"). The Authority will cause Defeasance Obligations sufficient to refund the Highway Safety Refunded Bonds to be deposited in the refunding escrow account (the "Highway Safety Escrow Account") established under the Escrow Agreement dated as of March 1, 2010, between the Authority and The Bank of New York Mellon Trust Company, N.A., in its capacities as Highway Safety Trustee and Highway Safety Escrow Agent for the Highway Safety Refunded Bonds (the "Highway Safety Escrow Agreement"). The amounts derived from the Defeasance Obligations will be applied to pay principal and interest on the Highway Safety Refunded Bonds through the last redemption date designated for the Highway Safety Refunded Bonds. Issuance costs (excluding underwriting discount) incurred by the Authority in connection with the issuance of the Highway Safety Series 2010 A Bonds not paid from any premium resulting from the sale of the Highway Safety Series 2010 A Bonds will be paid from rental payments made by the DPS pursuant to the Highway Safety Lease.

### **Juvenile Correctional Series 2010 A Bonds and Juvenile Correctional Series 2010 C Bonds**

The proceeds received by the Authority from the sale of the Juvenile Correctional Series 2010 A Bonds and the Juvenile Correctional Series 2010 C Bonds will be deposited in the Juvenile Correctional Building Fund to pay costs of acquiring, constructing, reconstructing, rehabilitating, remodeling, renovating, enlarging, improving, altering, equipping and furnishing the Juvenile Correctional Projects, including the sites thereof, for lease by the Authority to the DYS, all as and to the extent provided in the Act and the Juvenile Correctional Resolutions. Issuance costs (excluding underwriting discount) incurred by the Authority in connection with the issuance of the Juvenile Correctional Series 2010 A Bonds and the Juvenile Correctional Series 2010 C Bonds will be paid from proceeds of the Juvenile Correctional Series 2010 A Bonds and the Juvenile Correctional Series 2010 C Bonds and/or rental payments made by the DYS pursuant to the Juvenile Correctional Lease.

### **Juvenile Correctional Series 2010 B Bonds**

A portion of the premium received by the Authority from the sale of the Juvenile Correctional Series 2010 B Bonds will be used to pay costs of issuance of the Juvenile Correctional Series 2010 B Bonds. All remaining proceeds received by the Authority from the sale of the Juvenile Correctional Series 2010 B Bonds will be used to purchase direct obligations of or obligations the payment of the principal of and premium, if any, and interest on which are unconditionally guaranteed by, the United States of America (the "Defeasance Obligations"). The Authority will cause Defeasance Obligations sufficient to refund the Juvenile Correctional Refunded Bonds to be deposited in the refunding escrow account (the "Juvenile Correctional Escrow Account") established under the Escrow Agreement dated as of March 1, 2010, between the Authority and The Bank of New York Mellon Trust Company, N.A., in its capacities as Juvenile Correctional Trustee and Juvenile Correctional Escrow Agent for the Juvenile Correctional Refunded Bonds (the "Juvenile Correctional Escrow Agreement"). The amounts derived from the Defeasance Obligations will be applied to pay principal and interest on the Juvenile Correctional Refunded Bonds through the last redemption date designated for the Juvenile Correctional Refunded Bonds. Issuance costs (excluding underwriting discount) incurred by the Authority in connection with the issuance of the Juvenile

Correctional Series 2010 B Bonds not paid from any premium resulting from the sale of the Juvenile Correctional Series 2010 B Bonds will be paid from rental payments made by the DYS pursuant to the Juvenile Correctional Lease.

### **Mathematical Verification**

The mathematical accuracy of the computations supporting the adequacy of maturing principal of and premium, if any, and interest on the Defeasance Obligations to pay the principal of and redemption premium, if any, and interest on the Highway Safety Refunded Bonds and the Juvenile Correctional Refunded Bonds (collectively, the “Refunded Bonds”) will be verified by Grant Thornton LLP, independent certified public accountants, prior to the delivery of the Series 2010 Bonds.

Upon the purchase and deposit of the Defeasance Obligations in accordance with the Highway Safety Escrow Agreement and receipt of the verification described above, the Highway Safety Refunded Bonds will be deemed to have been paid and discharged within the meaning of the Highway Safety Trust Agreement.

Upon the purchase and deposit of the Defeasance Obligations in accordance with the Juvenile Correctional Escrow Agreement and receipt of the verification described above, the Juvenile Correctional Refunded Bonds will be deemed to have been paid and discharged within the meaning of the Juvenile Correctional Trust Agreement.

## **SECURITY FOR THE SERIES 2010 BONDS**

### **General**

The Series 2010 Bonds are special obligations of the State issued by the Authority under and pursuant to the Administrative Trust Agreement, the Highway Safety Trust Agreement and the Juvenile Correctional Trust Agreement. The Series 2010 Bonds of each series are payable solely from, and together with any applicable Additional Bonds, are equally and ratably secured by a pledge of the Administrative Pledged Receipts, the Highway Safety Pledged Receipts and the Juvenile Correctional Pledged Receipts, respectively. See “**SECURITY FOR THE SERIES 2010 BONDS - Rental Payments and Related Budget Requirements.**”

**The Series 2010 Bonds are six separate series of bonds issued by the Authority. The Administrative Series 2010 Bonds, the Highway Safety Series 2010 A Bonds and the Juvenile Correctional Series 2010 Bonds are issued under separate trust agreements (the Administrative Trust Agreement, the Highway Safety Trust Agreement and the Juvenile Correctional Trust Agreement, respectively), and each are payable separately and from separate sources of payments (the Administrative Lease and appropriations by the General Assembly for rental payments under the Administrative Lease in the case of the Administrative Series 2010 Bonds, the Highway Safety Lease and appropriations by the General Assembly for rental payments under the Highway Safety Lease in the case of the Highway Safety Series 2010 A Bonds and the Juvenile Correctional Lease and appropriations by the General Assembly for rental payments under the Juvenile Correctional Lease in the case of the Juvenile Correctional Series 2010 Bonds). Provisions applicable to, including but not limited to, any default under the Administrative Trust Agreement, the Highway Safety Trust Agreement or the Juvenile Correctional Trust Agreement are not applicable to, and will not constitute or cause a default under, any of the other Trust Agreements.**

The Series 2010 Bonds of each series will be entitled only to the security afforded by the applicable Pledged Receipts on a parity with the Additional Bonds of such series. None of the Projects, nor any interest therein, is pledged or mortgaged as security for the Series 2010 Bonds, nor will the Administrative Trustee, the Highway Safety Trustee, the Juvenile Correctional Trustee or the Authority have the right to take possession of or operate the applicable Projects upon a default under or termination of the applicable Lease. See “**THE ADMINISTRATIVE LEASE - Termination**”, “**THE HIGHWAY SAFETY LEASE – Termination**” and “**THE JUVENILE CORRECTIONAL LEASE - Termination**”.

The proceeds of the Administrative Series 2010 Bonds deposited in the Administrative Building Fund maintained in the custody of the Treasurer are not held by the Administrative Trustee under the Administrative Trust

Agreement. Funds in the Administrative Building Fund are not pledged as security for the Administrative Series 2010 Bonds or any other bonds issued by the Authority. See “**ADMINISTRATIVE BUILDING FUND.**”

The proceeds of the Highway Safety Series 2010 A Bonds deposited in the Highway Safety Escrow Account created by the Highway Safety Escrow Agreement are not pledged as security for the Highway Safety Series 2010 A Bonds or any other bonds issued by the Authority other than the Highway Safety Refunded Bonds. See “**SOURCES AND USES OF BOND PROCEEDS.**”

The proceeds of the Juvenile Correctional Series 2010 A Bonds and the Juvenile Correctional Series 2010 C Bonds deposited in the Juvenile Correctional Building Fund maintained in the custody of the Treasurer are not held by the Juvenile Correctional Trustee under the Juvenile Correctional Trust Agreement. Funds in the Juvenile Correctional Building Fund are not pledged as security for the Juvenile Correctional Series 2010 A Bonds, the Juvenile Correctional Series 2010 C Bonds or any other bonds issued by the Authority. See “**JUVENILE CORRECTIONAL BUILDING FUND.**”

The proceeds of the Juvenile Correctional Series 2010 B Bonds deposited in the Juvenile Correctional Escrow Account created under the Juvenile Correctional Escrow Agreement are not pledged as security for the Juvenile Correctional Series 2010 B Bonds or any bonds issued by the Authority other than the Juvenile Correctional Refunded Bonds. See “**SOURCES AND USES OF BOND PROCEEDS.**”

### **Rental Payments and Related Budget Requirements**

The Leases, respectively, require rental payments of Basic Rent at least equal to: (i) Bond Service Charges on all respective outstanding Administrative Bonds, Highway Safety Bonds or Juvenile Correctional Bonds (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 Administrative Bonds, Highway Safety Bonds or Juvenile Correctional Bonds); (ii) such sums, if any, as shall be necessary to maintain any related applicable reserve in a bond service reserve account (none is provided for or required with respect to the Series 2010 Bonds); (iii) such sums, if any, as shall be necessary to purchase any Administrative Bonds, Highway Safety Bonds or Juvenile Correctional Bonds, as applicable, that the Authority is obligated to purchase from any Financial Institution; and (iv) such sums, if any, as shall be necessary to make any payments that the Authority is obligated to make pursuant to any related agreement between the Authority and any Financial Institution issuing a Credit Support Instrument for one or more series of Administrative Bonds, Highway Safety Bonds or Juvenile Correctional Bonds, as applicable. The Leases also require payment of Additional Rent in an amount equal to certain administrative fees, expenses and obligations other than Bond Service Charges incurred by the Authority and amounts sufficient to pay the respective Rebate Amounts, to the extent not available from other sources.

Each Lease requires the Authority to prepare periodically and submit to the DAS, the DPS and the DYS, respectively, and to the Director of Budget and Management reports estimating the rental payments to be due thereunder. The obligations of the DAS, the DPS and the DYS to make rental payments pursuant to the respective Leases is expressly made subject to the appropriation of moneys by the General Assembly for such purposes. See “**THE AUTHORITY - Budgetary Process.**” Under the Ohio Constitution, an appropriation may not be made for more than a two-year period. The term of each of the Leases expires no later than the end of each State fiscal biennium (currently June 30 of each odd-numbered year, *e.g.*, June 30, 2011) 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 Leases will be renewed separately 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, 2011). The present obligations of the DAS, the DPS and the DYS to make rental payments under the applicable Lease will continue, so long as that Lease is renewed, until all Administrative Bonds, Highway Safety Bonds or Juvenile Correctional Bonds, respectively, have been paid, as applicable. So long as the applicable Lease remains in effect, the obligations of the DAS, the DPS and the DYS, respectively, to make rental payments thereunder in amounts sufficient to pay the respective Bond Service Charges and for other purposes set forth above are absolute and unconditional, subject only to the availability of moneys appropriated for such purposes.

The obligations of the DAS, the DPS and the DYS to make rental payments under the respective Leases is subject to and dependent upon biennial appropriations for the DAS, the DPS and the DYS being made by the General Assembly for such purposes. 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 Authority expects that the General Assembly will, for each State fiscal biennium, continue to appropriate amounts to the DAS, the DPS and the DYS, respectively, sufficient to meet the their respective rental payment obligations under the Leases to the Authority 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. The Series 2010 Bonds are special obligations of the State issued by the Authority payable solely from the applicable Pledged Receipts under the applicable Trust Agreement. The Series 2010 Bonds do not represent or constitute a debt of the State, the Authority, the DAS, the DPS, the DYS or any political subdivision of the State, nor a pledge of the faith and credit of the State, any political subdivision thereof, or the Authority. The Holders and Book Entry Interest Owners of the Series 2010 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 2010 Bonds.

## THE AUTHORITY

### General

The Authority was created in 1963 as a body both corporate and politic of the State upon enactment of the Act by the General Assembly. The Authority is empowered by the Act, among other things, to acquire, purchase, construct, reconstruct, rehabilitate, remodel, renovate, enlarge, improve, alter, maintain, equip, furnish, repair, paint, decorate, manage and operate capital facilities for the use of State agencies (including branches, offices, boards, commissions, authorities, departments, divisions, courts, the General Assembly and other units or agencies of the State). Under the Act, capital facilities include capital facilities for housing branches and agencies of State government, including capital facilities for the purpose of housing personnel, equipment or functions, or any combination thereof, which State agencies are responsible for housing, other than facilities for mental hygiene and retardation, parks and recreation and state-supported or state-assisted institutions of higher education. The Authority is empowered to construct and operate capital facilities for the housing of branches and agencies of State government, including, under certain circumstances, participation in such capital facilities with municipal corporations, counties or other political subdivisions.

Pursuant to the Act and Section 2i of Article VIII of the Ohio Constitution, the Authority is empowered to issue revenue obligations to finance the cost of Capital Facilities, but the holders of such obligations are not given the right to have excises or taxes levied by the General Assembly for the payment of debt service on such obligations. The Series 2010 Bonds are such “revenue obligations” by virtue of the fact that only respective lease rental payments and other Pledged Receipts are pledged to the repayment of such Series 2010 Bonds.

The Authority consists of five members appointed by the Governor for six-year terms with the advice and consent of the State Senate (there is currently one vacancy on the Authority). The present members of the Authority are:

<u>Name of Member</u>	<u>Principal Occupation</u>	<u>Term Expires</u>
Thomas L. Fries, Sr., Chairman	Public Sector Consultant	December 31, 2015
Sean A. Mentel, Vice Chairman	Attorney at Law	December 31, 2013
Neal F. Zimmers, Jr., Secretary-Treasurer	Attorney at Law/Consultant	December 31, 2013
Sandra A. Drabik	Attorney at Law	December 31, 2011

The Executive Director of the Authority is responsible for the management, budgeting and operations of all the Authority's projects. The Executive Director of the Authority is appointed by, and serves at the pleasure of, the members of the Authority as the chief administrative officer responsible for the Authority's daily operations. The position of Executive Director is currently vacant. Mark A. Haberman and Kevin T. Fenlon are Assistant Executive Directors of the Authority for facilities management and financial affairs, respectively.

The Attorney General of Ohio, Richard Cordray, serves as general counsel to the Authority. The law firm of Porter, Wright, Morris & Arthur LLP serves as issuer's counsel to the Authority.

### **Current and Pending Projects**

The Authority has financed or is financing the costs associated with the acquisition, construction, rehabilitation, remodeling, renovating, enlarging, improvement, equipping and furnishing of various facilities to house branches and agencies of State government, including facilities for the DAS (see "**THE PROJECTS – Administrative Projects**"); facilities for the DPS (see "**THE PROJECTS – Highway Safety Projects**"); juvenile detention facilities, including single-county or joint-county facilities, for the DYS (see "**THE PROJECTS - Juvenile Correctional Projects**"); facilities for the Department of Rehabilitation and Correction ("DRC"); an office building for the Bureau of Workers Compensation ("BWC"); and facilities for the Department of Transportation ("DOT").

The Authority's financings for projects other than the Administrative Projects, the Highway Safety Projects and the Juvenile Correctional Projects are and will be under proceedings separate from the proceedings for the Series 2010 Bonds. Highway user receipts are appropriated for rental payments relating to the DOT and the DPS facilities. Assessments paid into the administrative cost fund of the BWC are appropriated for rental payments related to BWC facilities. General fund revenues are appropriated for all other rental payments relating to such facilities. See **APPENDIX A - "INFORMATION CONCERNING THE STATE OF OHIO - STATE DEBT."**

### **Budgetary Process**

Substantially all of the moneys for the Authority are provided by the General Assembly through biennial appropriations of rental payments to the DAS, the DRC, the DPS, the DOT, the DYS and the BWC. The Act requires that the Authority, prior to the preparation of the State's budget, prepare an estimate of the amount of moneys necessary to pay debt service on all obligations of the Authority and to pay all other expenses of the Authority and its properties for the next succeeding State fiscal biennium. The Authority's estimates are submitted to the DAS, the DRC, the DPS, the DOT, the DYS and the BWC for review and inclusion in their respective budget requests, and each may question the reasonableness or the necessity for the expenses related to its capital facilities. These estimates are then submitted to the Director of Budget and Management as budget requests for the DAS, the DRC, the DPS, the DOT, the DYS and the BWC, respectively. The Director of Budget and Management has the authority to adjust these requests for rental payments as it prepares the State budget on behalf of the Governor, who submits it to the General Assembly for consideration and adoption.

The Authority's budget proposal includes projections of expenses to be incurred for capital facilities financed for the use of various State agencies, including the DAS, the DRC, the DPS and the DYS for the next succeeding two Fiscal Years, but the actual expenses might exceed or be less than the amount estimated, budgeted and appropriated therefor. The leases between the Authority and the DAS, the DRC, the DPS, the DOT, the DYS and the BWC provide for adjustments in budgeted amounts of such expenses for each two-year term to reflect overpayments or underpayments during the preceding two-year term.

## **THE PROJECTS**

### **Administrative Projects**

The Administrative Projects include a portion of the costs of various Capital Facilities of the DAS, as well as facilities specifically for the Adjutant General, the Department of Aging, the Department of Agriculture, the Attorney General, the Capitol Square Review and Advisory Board, the Department of Commerce, the Expositions

Commission, the Judiciary/Supreme Court, the State Library Board, the Department of Natural Resources, the DPS, the School for the Blind, the School for the Deaf and Ohio Veterans' Home as provided in the applicable 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 thereof.

### **Highway Safety Projects**

The Highway Safety Projects include a portion of the costs of various Capital Facilities for the DPS as provided in the applicable General Assembly appropriation acts. These capital improvements consist of land acquisition, construction and improvements and the acquisition and installation of equipment for various facilities and related planning.

### **Juvenile Correctional Projects**

The Juvenile Correctional Projects include a portion of the costs of various Capital Facilities for the DYS as provided in the applicable General Assembly appropriations acts. These capital improvements consist of acquiring, constructing, reconstructing, rehabilitation, remodeling, renovating, enlarging, improving, altering, equipping and furnishing such facilities, including the sites thereof. The Juvenile Correctional Projects also include local community-based juvenile facilities to be used by local governmental entities.

## **DEPARTMENT OF ADMINISTRATIVE SERVICES**

The DAS was created in December 1973 and provides centralized services and specialized support to the State's departments, boards, commissions and agencies as well as political subdivisions and state universities and colleges. DAS is generally responsible for, among other functions, overseeing state construction projects, procuring goods and services, operating the State's Office of Information Technology, leasing and managing office space, processing payroll, managing print shops, and overseeing personnel and equal employment opportunity matters.

The DAS is administered by the Director of Administrative Services (the "DAS Director"), who is appointed by the Governor with the advice and consent of the Senate. Hugh Quill currently serves as the DAS Director. The DAS Director is a member of the Governor's Cabinet and serves at the pleasure of the Governor. The DAS is organized into five divisions: Office of Information Technology, Equal Opportunity Division, General Services Division, Human Resources Division and Office of Collective Bargaining.

## **DEPARTMENT OF PUBLIC SAFETY**

The DPS was created by legislation in 1953. The DPS is administered by the Director of Public Safety, who is appointed by the Governor with the advice and consent of the Senate. Cathy Collins-Taylor serves as DPS Director. The DPS Director is a member of the Governor's Cabinet and is subject to removal at the pleasure of the Governor. The DPS is organized into eight divisions - Administration, Bureau of Motor Vehicles, Emergency Management Agency, Emergency Medical Services, Office of Criminal Justice Services, Ohio Homeland Security, Ohio Investigative Unit, and Ohio State Highway Patrol.

The mission of DPS is to save lives, reduce injuries and economic losses in Ohio, and to regulate driver licensing and vehicle registration. This mission is accomplished through its many and diverse responsibilities, including:

- Provide Homeland Security through increasing patrols, facilitating state and national security efforts, and monitoring state property.
- Identify and reduce the dangers of highway travel by enforcing state laws on public roadways.
- Provide rapid disaster response, recovery, and mitigation services to citizens and businesses.
- Promote interoperable communications among Ohio's first responders.

- License motor vehicles and their operators and provide administrative control for the issuances of certificates of title, which demonstrate legal ownership of a motor vehicle.
- Protect the Governor and other dignitaries and state-owned and leased property.
- Provide criminal suspect data to a statewide network of users and identify criminal justice issues and needs.
- Enforce liquor laws and regulations, laws relating to the trafficking of food stamps, and laws restricting the sale of tobacco products to underage individuals; work with local communities and local governments in the enforcement of liquor laws against problem liquor permit establishments.
- Certify emergency medical technicians and firefighters to assure a quality emergency medical care delivery system.

## **DEPARTMENT OF YOUTH SERVICES**

The DYS was created in November 1983, and is generally responsible for, among other functions, the following: the confinement of felony offenders, ages 10 through 21, who have been adjudicated and committed by the county courts of the State; the promotion and operation of programs for the rehabilitation of juvenile offenders and their reintegration into the community; providing community supervision and case management for relapse offenders and assisting juvenile courts and local agencies in dealing with less serious adjudicated delinquents and delinquency prevention.

The DYS is administered by the Director of Youth Services (the “DYS Director”), who is appointed by the Governor with the advice and consent of the Senate and is subject to removal at the pleasure of the Governor. Thomas J. Stickrath currently serves as the DYS Director. The DYS is organized into six divisions – Office of Chief Inspector, Parole and Community Services, Legal Services, Finance and Planning, Human Resources, and Facility Programs and Operations.

## **ADMINISTRATIVE BUILDING FUND**

The Administrative Building Fund was created by the General Assembly as a separate deposit account in the custody of the Treasurer. Moneys in the Administrative Building Fund are applied and disbursed for the payment or reimbursement of costs of capital facilities incurred for and in connection with the Administrative Projects and are invested and reinvested in accordance with law and in accordance with procedures therefor established by the Authority, the DAS, the Director of Budget and Management and the Treasurer. Any investment income on moneys in the Administrative Building Fund may be transferred to the Administrative Rebate Fund to be rebated or to be used as 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 the Administrative Series 2010 A Bonds pursuant to Section 148(f) of the Code and to assure the continued treatment of the Administrative Series 2010 B Bonds as Direct Payment Build America Bonds.

**Moneys on deposit in the Administrative Building Fund are not pledged to the payment of Bond Service Charges on the Administrative Series 2010 Bonds or any other obligations issued by the Authority.**

## **HIGHWAY SAFETY BUILDING FUND**

The Highway Safety Building Fund was created by the General Assembly as a separate deposit account in the custody of the Treasurer. Moneys in the Highway Safety Building Fund are applied and disbursed for the payment or reimbursement of costs of capital facilities incurred for and in connection with the Highway Safety Projects and are invested and reinvested in accordance with law and in accordance with procedures therefore established by the Authority, the DPS, the Director of Budget and Management and the Treasurer. Any investment income on moneys in the Highway Safety Building Fund may be transferred to the Highway Safety Rebate Fund to be rebated or to be used as 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 the Highway Safety Series 2010 A Bonds pursuant to Section 148(f) of the Code.

**Moneys on deposit in the Highway Safety Building Fund are not pledged to the payment of Bond Service Charges on the Highway Safety Series 2010 A Bonds or any other obligations issued by the Authority.**

### **JUVENILE CORRECTIONAL BUILDING FUND**

The Juvenile Correctional Building Fund was created by the General Assembly as a separate deposit account in the custody of the Treasurer. Moneys in the Juvenile Correctional Building Fund are applied and disbursed for the payment or reimbursement of costs of capital facilities incurred for and in connection with the Juvenile Correctional Projects and are invested and reinvested in accordance with law and in accordance with procedures therefore established by the Authority, the DYS, the Director of Budget and Management and the Treasurer. Any investment income on moneys in the Juvenile Correctional Building Fund may be transferred to the Juvenile Correctional Rebate Fund to be rebated or to be used as 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 the Juvenile Correctional Series 2010 A Bonds and the Juvenile Correctional Series 2010 B Bonds pursuant to Section 148(f) of the Code and to assure the continued treatment of the Juvenile Correctional Series 2010 C Bonds as Direct Payment Build America Bonds.

**Moneys on deposit in the Juvenile Correctional Building Fund are not pledged to the payment of Bond Service Charges on the Juvenile Correctional Series 2010 Bonds or any other obligations issued by the Authority.**

### **THE ADMINISTRATIVE LEASE**

#### **General**

The Act provides that the capital facilities financed or constructed by the Authority for State agencies shall be leased to the State agency using those capital facilities or to the DAS for the use of such State agency or other governmental entities. Accordingly, the Authority has leased the Administrative Projects to the DAS. Under the Act, the term of any lease between the Authority and such State agency or the DAS shall be for a period not exceeding the then current two-year period for which appropriations for rental payments to the Authority have been made by the General Assembly. Provision may be made for renewals at the end of each term for another term not exceeding two years. The Act also provides that all rentals and other charges by the Authority shall be set so that its revenues are sufficient to meet its requirements, including debt service on all outstanding obligations and all other expenses of the Authority. The following summarizes certain provisions of the Administrative Lease to which document reference is made for the detailed provisions thereof.

#### **Term of the Administrative Lease**

The Administrative Lease has been automatically renewed for successive two-year terms and currently expires on June 30, 2011, the end of the current State fiscal biennium. The DAS has the right to renew the Administrative Lease for successive Renewal Terms of two years each, commencing on the beginning of each State fiscal biennium (currently July 1 of each odd-numbered year), upon the same terms as are contained in the Administrative Lease, unless sooner terminated in accordance with the Administrative Lease and Administrative Trust Agreement. The right of the DAS to renew the term of the Administrative Lease shall be deemed exercised upon the effectiveness, at or prior to the expiration of the then current term of the Administrative Lease, of legislation enacted by the General Assembly appropriating funds to the DAS at least equal to the Basic Rent (as described below) and amounts the Authority deems necessary for Additional Rent (as described below) including sums payable pursuant to the Administrative Trust Agreement for items such as estimated administrative and overhead expenses of the Authority with respect to the Administrative Projects, and certain other sums payable under the Administrative Lease during the next Renewal Term. See “**THE ADMINISTRATIVE LEASE - Rental Payments and Pledges.**”

### **Rental Payments and Pledges**

The Administrative Lease requires the DAS to make rental payments sufficient to pay the Bond Service Charges on outstanding Administrative Bonds, certain administrative costs of the Authority and any additional amounts required to be paid into the Administrative Rebate Fund. The Administrative Lease rental payments (other than those to be deposited in the Administrative Service Fund created under the Administrative Trust Agreement for the payment of various administrative and operating expenses of the Authority and for deposit into the Administrative Rebate Fund) are pledged by the Authority pursuant to the Administrative Trust Agreement for the payment of Bond Service Charges on the Administrative Bonds. All Administrative Lease rental payments are required to be deposited in the Administrative Bond Service Fund, the Administrative Service Fund or the Administrative Rebate Fund. See “**THE ADMINISTRATIVE TRUST AGREEMENT - Funds and Accounts.**”

During each term of the Administrative Lease, the DAS has agreed to pay the Authority, without notice or demand, on or before each Rental Payment Date, Basic Rent that includes (i) an amount equal to the Bond Service Charges on all outstanding Administrative Bonds, 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 Administrative Bonds; (ii) such sums, if any, as shall be necessary to maintain any applicable required reserve in a bond service reserve account (none is provided for or required with respect to the Administrative Series 2010 Bonds); (iii) such sums, if any, as shall be necessary to purchase any Administrative Bonds that the Authority is obligated to purchase from any Financial Institution; and (iv) such sums, if any, as shall be necessary to make any payments that the Authority is obligated to make pursuant to any related agreement between the Authority and any Financial Institution issuing a Credit Support Instrument for one or more series of Administrative Bonds. During each term of the Administrative Lease, the DAS has the option to make prepayments of Basic Rent for the purchase, redemption or defeasance of any Administrative Bonds.

During each term of the Administrative Lease, the DAS has also agreed to pay, as Additional Rent, an amount equal to certain administrative fees, expenses and obligations, other than Bond Service Charges, incurred by the Authority and amounts required to be paid into the Administrative Rebate Fund to the extent not available from other sources.

Except as described below under “**THE ADMINISTRATIVE LEASE - Legislative Appropriations**”, the obligation of the DAS to pay Basic Rent and Additional Rent during each two-year term of the Administrative Lease is absolute and unconditional, and is payable without any rights of termination, set-off, recoupment, deduction, defense or counterclaim the DAS might have against the Authority, the Administrative 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 or not the Administrative Projects are ever acquired, constructed, installed or made ready for occupancy or are ever used or occupied by the DAS, or are available for use or occupancy by the DAS, any actions of the DAS involving the substitution of furnishings, equipment, and related property in connection with the Administrative Projects or the alteration of or addition to the Administrative Projects, any acts or circumstances constituting eviction or constructive eviction, failure of consideration, failure of title or frustration of purpose, or any damage to or destruction of any of the Administrative Projects or any taking of the title to or the right of temporary use of all or any part of the Administrative Projects by condemnation or eminent domain.

### **Project Substitutions and Alterations**

The DAS has the privilege of (i) substituting or removing furnishings, equipment and related property in connection with the Administrative Projects, provided that such substitution or removal shall not impair the character or usefulness of the Administrative Projects; and (ii) making changes, alterations and additions, structural or otherwise, to the Administrative Projects, which changes, alterations and additions become a part of the Administrative Projects. The DAS may grant at any time leases, easements, or rights of use to other persons or entities in the Administrative Projects as may be allowed by law.

### **Insurance**

The Authority has no obligation to provide insurance of any kind for, or with respect to activities connected with, the Administrative Projects or the repair of or reconstruction of all or any portion of the Administrative

Projects following any damage to or destruction of the Administrative Projects or any portion thereof. If the DAS or others at any time provide any such insurance, the Authority will have no right or interest therein or to any proceeds therefrom.

### **Legislative Appropriations**

The agreement of the DAS to make rental payments pursuant to the Administrative Lease, and to perform other obligations involving expenditures thereunder, at times and in the amounts provided for in the Administrative Lease, is effective and binding upon the DAS only when and to the extent that moneys have been appropriated by the General Assembly and are available for that purpose. Under the Ohio Constitution, an appropriation may not be made for more than a two-year period. In addition, the Administrative Lease may be renewed only for two-year periods. Accordingly, the DAS is obligated to make payments under the Administrative Lease only for two-year periods, to the extent moneys have been appropriated and are available.

The Administrative Lease requires that projected payments under the Administrative Lease be included in the estimated budget of the DAS for the State budget estimates prepared by the Director of Budget and Management for each State fiscal biennium and submitted to the Governor for inclusion in the biennial State budget submitted by the Governor to the General Assembly. See “**THE AUTHORITY - Budgetary Process.**” The Administrative Lease provides that, on or before the commencement of each State Fiscal Year, currently July 1 of each year, the Authority shall submit to the DAS and to the Director of Budget and Management a schedule which shall set forth the estimated amounts and dates of the rental payments due under the Administrative Lease during that Fiscal Year and on a timely basis shall supplement or correct such schedule to reflect any changes in such rental payments. The DAS encumbers the appropriations made for the rental payments under the Administrative Lease during that Fiscal Year as set forth in the schedule. On a timely basis prior to the date required for each such rental payment, the Office of Budget and Management (the “OBM”) is required to submit an order in the nature of an invoice or voucher for each rental payment to cause issuance of a warrant payable to the Authority and the Administrative Trustee and redeemable at the office of the Treasurer in accordance with law, for all such rental payments at the times therefor and for payment in accordance with the Administrative Trust Agreement. Such rental payments are required to be deposited for credit to the appropriate fund or account in accordance with the Administrative Trust Agreement.

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

**The General Assembly may not make appropriations for a period longer than two years. While the Authority expects that, for each State fiscal biennium, the General Assembly will appropriate amounts to the DAS sufficient to make its rental payments to the Authority under the Administrative 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. Section 2i of Article VIII of the Ohio Constitution and the Act provide that the Holders and Book Entry Interest Owners of the Administrative Bonds will have no right to have excises or taxes levied by the General Assembly for the payment of Bond Service Charges thereon.**

### **Remedies**

In the event of a default under or termination of the Administrative Lease, the Administrative Lease provides that the Authority waives, relinquishes and releases any and all rights it may have of re-entry or to take or retake possession of the Administrative Projects and agrees not to exercise any such rights. **Consequently, the Authority does not have the remedies generally available to lessors upon default under or termination of a lease and the Authority may have no practical remedy to insure that moneys are available for the payment of Bond Service Charges on the Administrative Series 2010 Bonds.**

## **Termination**

If the DAS fails to exercise its right to renew the term of the Administrative Lease for any Renewal Term, the Administrative Lease will terminate at the end of the Renewal Term then in effect. In the event of such a termination of the Administrative Lease, the obligation of DAS to make rental payments to provide moneys to pay Bond Service Charges on Administrative Bonds would terminate. The Administrative Lease also terminates upon payment in full of all Administrative Bonds outstanding under the Administrative Trust Agreement and all obligations of the Authority to Financial Institutions providing Credit Support Instruments in connection with Administrative Bonds. Under the Act and the Administrative Trust Agreement, the Administrative Trustee may not take possession of, or operate, or sell the Administrative Projects in the event of a failure to pay Basic Rent or Additional Rent under the Administrative Lease or upon any termination of the Administrative Lease.

## **Reinstatement**

Notwithstanding any termination of the Administrative Lease, if (a) all payments of Bond Service Charges on the Administrative Bonds (other than as a result of acceleration) and all other payments due under the Administrative Trust Agreement have been made, (b) any acceleration of the Administrative Bonds has been duly rescinded and annulled, (c) all defaults under the Administrative Lease have been cured or waived, and (d) the General Assembly has appropriated moneys to enable the DAS to make rental payments to become due under the Administrative Lease for any Renewal Term of the Administrative Lease to be reinstated, then without further action by the Administrative Trustee or the Authority, the Administrative Lease shall be fully reinstated as if it had never been terminated.

# **THE ADMINISTRATIVE TRUST AGREEMENT**

## **General**

The following, in addition to information contained above under the headings “**THE SERIES 2010 BONDS**” and “**SECURITY FOR THE SERIES 2010 BONDS**”, summarizes certain provisions of the Administrative Trust Agreement to which document reference is made for the detailed provisions thereof. The Administrative Resolutions authorizing the Administrative Series 2010 Bonds are incorporated in their entirety in, and constitute part of, the Administrative Trust Agreement and all references herein to the Administrative Trust Agreement shall, unless specific section references are made, include the Administrative Resolutions.

**So long as the Administrative Series 2010 Bonds are immobilized in a Book-Entry System with a Depository, that Depository or its nominee is for all purposes of the Administrative Trust Agreement considered by the Authority and the Administrative Trustee to be the Holder of those Administrative Series 2010 Bonds and the Book Entry Interest Owners of the Administrative Series 2010 Bonds will not be considered Holders of the Administrative Series 2010 Bonds and have no rights as Holders under the Administrative Trust Agreement. See “THE SERIES 2010 BONDS - Registration, Payment and Transfer” and “BOOK-ENTRY FORM.”**

## **Security**

The Administrative Trust Agreement provides for a pledge of the Administrative Pledged Receipts by the Authority to the Administrative Trustee, for the benefit of the Holders of the Administrative Bonds. See “**SECURITY FOR THE SERIES 2010 BONDS.**”

## **Funds and Accounts**

The Administrative Trust Agreement establishes the following funds and accounts to be held by the Administrative Trustee and used for specific purposes thereunder: the Administrative Bond Service Fund, which includes the Administrative Bond Service Account, and may include a bond service reserve account and a bond redemption and purchase account; the Administrative Service Fund; and the Administrative Rebate Fund (collectively referred to herein as the “Administrative Funds”). In addition, the General Assembly has created the

Administrative Building Fund to be held by the Treasurer, which may include a separate account for each Administrative Project and each series of Administrative Bonds. See “**ADMINISTRATIVE BUILDING FUND.**” The Administrative Building Fund, the Administrative Service Fund and the Administrative Rebate Fund are not pledged to the payment of Bond Service Charges on Administrative Bonds.

Administrative Bond Service Account. The Administrative Bond Service Account has been established in the Administrative Bond Service Fund. There will be deposited in the Administrative Bond Service Account: (i) all rental payments and other revenues and receipts of the Authority derived under the Administrative Lease (except the portion of such moneys to be credited to other funds and accounts); (ii) any other available Administrative Pledged Receipts; (iii) excess moneys remaining in the Administrative Service Fund; and (iv) all other revenues or receipts derived by the Authority from the Administrative Projects unless previously pledged. The Administrative Bond Service Account, except moneys transferred to the Administrative Rebate Fund, any bond service reserve account (none is provided for or required with respect to the Administrative Series 2010 Bonds) or any bond redemption and purchase account will be used solely for the payment of Bond Service Charges on the Administrative Bonds as they become due or for payments due to a Financial Institution in reimbursement of payments made pursuant to a Credit Support Instrument provided in connection with the Administrative Bonds.

Administrative Service Fund. The Administrative Service Fund will be used to pay (i) the underwriting fees and expenses and the regular and special fees and reimbursement of reasonable expenses of the Administrative Trustee, bond registrars, paying agents, authenticating agents, tender agents, depositories, financial advisors, consultants, remarketing agents, indexing agents, attorneys, accountants and others providing services, including any Credit Support Instrument, with respect to the authorization, sale, issuance and delivery of Administrative Bonds, and (ii) the financing charges, costs of printing, engraving, advertising and other expenses in connection with the authorization, sale, issuance and delivery of Administrative Bonds.

Fees and expenses incurred by the Authority and payable from the Administrative Service Fund will also be funded from Additional Rent due under the Administrative Lease and paid into the Administrative Service Fund. Any excess in the Administrative Service Fund is required to be transferred to the Administrative Bond Service Account.

Administrative Rebate Fund. Pursuant to the Administrative Trust Agreement, there has been created by the Authority and ordered to be maintained in the custody of the Administrative Trustee as a separate deposit account, an Administrative Rebate Fund in which the Authority may establish separate rebate accounts for each series of Administrative Bonds, including the Administrative Series 2010 Bonds. The Twentieth Supplemental Administrative Trust Agreement establishes the Administrative Series 2010 A Rebate Account for the Administrative Series 2010 A Bonds and the Administrative Series 2010 B Rebate Account for the Administrative Series 2010 B Bonds in the Administrative Rebate Fund to comply with the provisions of Section 148(f) of the Code. The amounts on deposit in the Administrative Rebate Fund are not pledged to the Holders of Administrative Bonds or any Financial Institution as security for the payment of Bond Service Charges on the Administrative Bonds or obligations due to any Financial Institution, are not Administrative Pledged Receipts, and are not subject to the pledge and assignment created by the Administrative Trust Agreement.

At the times and in the manner required by the Code, (a) the Authority or a firm of independent certified public accountants or a firm of nationally recognized bond counsel engaged by the Authority or the Administrative Trustee, will calculate the amount payable to the Administrative Rebate Fund; (b) the Treasurer, on behalf of the Authority, will transfer amounts in the Administrative Rebate Fund from the Administrative Building Fund, or, if necessary, the Authority will provide for such amounts from additional rentals pursuant to the Administrative Lease in accordance with law or from the Administrative Service Fund; and (c) the Administrative Trustee will pay amounts in the Administrative Rebate Fund to the United States of America.

Special Subaccounts. If and to the extent provided in any Administrative Series Resolution, the Authority may, pursuant to that Administrative Series Resolution, create special subaccounts in the Administrative Bond Service Fund or the Administrative Rebate Fund, with reference to the Additional Administrative Bonds authorized by that Administrative Series Resolution, and make special provisions, among others, for any proceeds of those Additional Administrative Bonds allocated by the Administrative Series Resolution to capitalized interest or to funding a bond service reserve account for such Additional Administrative Bonds, and for any Administrative

Pledged Receipts (other than rental payments and other revenues and receipts of the Authority under the Administrative Lease, and income from the investment of special funds and any other Administrative Pledged Receipts pledged to all Administrative Bonds) pledged exclusively to those Additional Administrative Bonds by the applicable Supplemental Administrative Trust Agreement, to be deposited to the credit of such special subaccounts, and for the holding, investing and disposition of any moneys credited to those subaccounts in accordance with that Administrative Series Resolution and for the primary or exclusive benefit of the Additional Administrative Bonds authorized by or referred to in that Administrative Series Resolution. If moneys credited to such subaccounts and income from the investment of those moneys are so restricted, then the amounts credited to such subaccounts and to be derived from those investments, to the extent so restricted, shall not be deemed to be available for Bond Service Charges on other Administrative Bonds in determining the sufficiency of the Administrative Bond Service Account or any bond service reserve account applicable to the other Administrative Bonds under the provisions of the Administrative General Bond Resolution and the applicable Administrative Series Resolution.

### **Investment of Certain Funds**

Moneys in the Administrative Building Fund will be invested in accordance with State law. Moneys held in the Administrative Bond Service Fund, the Administrative Service Fund and the Administrative Rebate Fund may be invested and reinvested by the Administrative Trustee in accordance with the instructions of the Authority in any Eligible Investments. Investments of moneys credited to those Administrative Funds will mature or be redeemable at the option of the holder thereof at the times and in the amounts necessary to provide moneys when needed for payments to be made from those Administrative Funds, and moneys held in the Administrative Bond Service Fund will be available to pay Bond Service Charges on the Administrative Bonds when they become due. Any investment of moneys in any Administrative Fund will be deemed at all times a part of that Administrative Fund and any income will be credited and any loss will be charged to that Administrative Fund. Investments will be valued at the lesser of face or market value on a quarterly basis, or more frequently as determined by the Authority, to evaluate the adequacy of amounts in the Administrative Bond Service Account or any bond service reserve account and excess amounts in any other accounts. The Authority will be entitled to rely on books of record and accounts maintained by the Director of Budget and Management with respect to all transactions relating to the Administrative Building Fund.

### **Additional Administrative Bonds**

One or more series of Additional Administrative Bonds may be issued under the Administrative Trust Agreement for the purpose of paying additional costs of the Administrative Projects, for the purpose of acquiring, constructing, reconstructing, rehabilitating, remodeling, renovating, enlarging, improving, altering, equipping and furnishing the Administrative Projects, including the sites thereof, which are Capital Facilities, for the use of the DAS and other governmental entities as authorized by the General Assembly (in an amount, for all such Administrative Projects, not in excess of the project costs as authorized by the General Assembly) and for the purpose of refunding certain obligations issued under the Act. Such Additional Administrative Bonds will be on a parity with the Administrative Bonds outstanding under the Administrative Trust Agreement, except as to bond service reserve accounts or Credit Support Instruments, if any, applicable only to certain series of such outstanding Administrative Bonds.

The issuance of Additional Administrative Bonds under the Administrative Trust Agreement is also subject to the following conditions, among others: (i) the Authority is not in default of any covenants or obligations of the Authority contained in the Administrative Trust Agreement or in the Administrative Bonds and the authentication and delivery of the Additional Administrative Bonds will not result in any such default; (ii) the principal amount of the Additional Administrative Bonds and of other Administrative Bonds then issued or outstanding and of any notes or other obligations then issued or outstanding (other than such notes or other obligations to be, and only to the extent to be, funded or refunded by such Additional Administrative Bonds then being issued), will not exceed in the aggregate the principal amount of obligations which may be issued or outstanding under then existing authorizations of the General Assembly and the provisions of the Act; (iii) upon the issuance and delivery of such Additional Administrative Bonds, the amount in any bond service reserve account for such Additional Administrative Bonds shall not be less than the applicable required reserve, if any; (iv) any necessary Supplemental Administrative Lease will have been executed and delivered providing for rental payments sufficient to pay the Bond Service Charges and other expenses with respect to such Additional Administrative Bonds and appropriations have been made by the

General Assembly for the then current fiscal biennium in an amount estimated to be sufficient to pay the Bond Service Charges and other costs related to such Additional Administrative Bonds during such biennium; (v) the certificate of the Director of Budget and Management confirming that amounts sufficient to pay currently estimated rental payments under the Administrative Lease have been appropriated and that amounts in subsequent biennia have been requested, when appropriate; and (vi) the Administrative Trustee has received (a) a copy, certified by the Secretary-Treasurer or other authorized officer of the Authority, of the Administrative Series Resolution authorizing the issuance and delivery of the Additional Administrative Bonds to be authenticated and delivered, adopted in conformity with the Administrative General Bond Resolution and containing the findings required by the Administrative General Bond Resolution to be set forth in that Administrative Series Resolution; (b) an original executed counterpart of the Supplemental Administrative Trust Agreement entered into in connection with the issuance of those Additional Administrative Bonds; (c) an original executed counterpart of any Supplemental Administrative Lease entered into in connection with the issuance of those Additional Administrative Bonds; (d) a request and authorization to the Administrative Trustee on behalf of the Authority, signed by an authorized officer of the Authority, to authenticate and deliver the Additional Administrative Bonds to, or on the order of, the original purchaser thereof who is therein identified, upon payment of a sum specified in that request and authorization; (e) the certificate of an authorized officer of the Authority as to items (i), (ii), (iii), (iv) and (v) above; (f) the written opinion of legal counsel retained or designated by the Authority, or other legal counsel satisfactory to the Administrative Trustee, to the effect that documents submitted to the Administrative Trustee in connection with the application then being made comply with the requirements of the Administrative Trust Agreement, and that in that counsel's opinion all conditions precedent to the issuance of those Additional Administrative Bonds as provided in the Administrative Trust Agreement have been complied with, and a written opinion of bond counsel retained or designated by the Authority who may also be the legal counsel referred to above, that the Additional Administrative Bonds the authentication of which is applied for, when duly executed, authenticated and delivered by or on behalf of the Administrative Trustee, will be valid and legal obligations of the State, issued by the Authority, in accordance with their terms and will be secured by the Administrative Trust Agreement with all Administrative Bonds then outstanding; and (g) a certificate of an authorized officer or the DAS Director confirming that amounts sufficient to support all rentals estimated to be due under the Administrative Lease for the then current fiscal biennium have been appropriated to the DAS for the payment of such rentals and that, to the extent that budget requests have been made for then next succeeding fiscal biennium, amounts sufficient to support all rentals estimated to be due under the Administrative Lease for such biennium have been requested.

### **Further Covenants**

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

Maintenance of Administrative Lease and Certain Other Agreements. The Authority covenants in the Administrative Trust Agreement to take all necessary and lawful actions to comply with its obligations, duties and responsibilities under the Administrative Lease or any agreements, the revenues or receipts from which constitute Administrative Pledged Receipts, and will take all actions within its authority to maintain the Administrative Lease and any such agreement in effect and to enforce the rights of the Authority thereunder in accordance with the terms thereof, including actions at law and in equity, as may be appropriate.

The Authority covenants in the Administrative Trust Agreement to provide for rental payments in sufficient and appropriate amounts to pay when due (i) all Bond Service Charges on the Administrative Bonds from the Administrative Bond Service Account or for the payment of any amounts due as reimbursement of draws on a letter of credit to a Financial Institution providing a letter of credit with respect to a series of Administrative Bonds, (ii) all operating expenses from the Administrative Service Fund, (iii) all amounts necessary to maintain a required reserve, if any, in any applicable Administrative Bond service reserve account, and (iv) all amounts in the Administrative Rebate Fund to be paid to the United States of America which are not otherwise available in one of the funds or accounts created pursuant to or described in the Administrative Trust Agreement. The Authority covenants not to amend, modify, alter, change or waive any term or provision of the Administrative Lease if such action would have the effect of (a) reducing the rental payments payable thereunder to amounts less than described in the preceding sentence or changing the times and manner of payment thereof so that such rental payments would not be available when needed for payments to be made from the Administrative Funds established by the Administrative Trust Agreement, (b) surrendering or limiting any remedies of the Authority under the Administrative Trust Agreement

(including the rights of the Authority to terminate the Administrative Lease) or (c) being adverse to the interest of the Holders of the Administrative Bonds or any applicable Financial Institutions.

Creation of Liens. The Authority covenants in the Administrative Trust Agreement not to make any pledge or assignment of or create or suffer any lien or encumbrance upon the Administrative Bond Service Fund or the Administrative Pledged Receipts prior to or on a parity with the pledge thereof under the Administrative Trust Agreement, except as otherwise authorized or permitted under the Administrative Trust Agreement, and, in the case of a bond service reserve account, under the applicable Administrative Series Resolution. The Administrative Projects are not and may not be pledged by the Authority.

Enforcement by Mandamus. The Authority has acknowledged that each provision of the Administrative Trust Agreement, the Administrative Bonds, the Administrative Lease, and all other agreements included in the proceedings relating to the Administrative Bonds, are binding upon the Authority, the DAS, and any other State agency or other Person or body as may from time to time have authority under law to take such actions as may be necessary to perform all or any part of the duty required by such provision, and that each duty of the Authority, the DAS or other State agency and their respective officers, members and employees undertaken or required pursuant thereto is established as a duty of the Authority and of each such member, officer, and employee having authority to perform such duty specifically enjoined by law resulting from an office, trust or station within the meaning of Section 2731.01 of the Ohio Revised Code providing for enforcement by writ of mandamus.

Certain Reports. The Authority will annually file with the Administrative Trustee and the Director of Budget and Management: (i) a report, certified by a firm of certified public accountants, setting forth financial statements which present fairly the financial position of the Authority as of the end of the preceding Fiscal Year and the results of the operations and the cash flows of its internal service fund for the Fiscal Year then ended, all in conformity with generally accepted accounting principles (except as noted in such certificate); and (ii) a certificate of such accountants stating that such accountants have examined such report in accordance with generally accepted auditing procedures as such accountants considered necessary in the circumstances, that their examination of such report has included a review of the terms of the Administrative Trust Agreement as they relate to matters susceptible of accounting determinations and that such review is sufficient to enable them to give such certificate and stating whether or not such examination has disclosed the existence, at the end of the Fiscal Year covered by such report (and existing at the date of such certificate), of any Event of Default under the Administrative Trust Agreement or any other event which, after notice or lapse of time or both, would become an Event of Default and, if such examination had disclosed such an Event of Default or such an event, specifying the same and the nature and status thereof. See “**THE ADMINISTRATIVE TRUST AGREEMENT - Events of Default and Remedies.**”

The Authority will annually submit to the Director of Budget and Management and the DAS a written report confirmed by the Administrative Trustee setting forth the estimated amount of rent to become due under the Administrative Lease during the current Fiscal Year and the ensuing two Fiscal Years. Upon any determination by the Authority that a different amount than last reported will be required, the Authority will submit a revised written report superseding the next prior report.

On or before the forty-fifth day preceding each Interest Payment Date with respect to Administrative Bonds, the Administrative Trustee will submit to the Authority, the Director of Budget and Management and the DAS a written certificate setting forth (i) the net interest earned and deposited into the Administrative Bond Service Account and not reflected on any previous similar certificate and any net interest to be earned and credited to the Administrative Bond Service Account prior to the next applicable Interest Payment Date; (ii) any moneys deposited into the Administrative Bond Service Account from any bond service reserve account as a result of excess moneys being in such bond service reserve account and not reflected on any previous certificate and any moneys to be so deposited in the Administrative Bond Service Account prior to such Interest Payment Date; (iii) any moneys deposited into the Administrative Bond Service Account from the Administrative Rebate Fund and not reflected on any previous certificate and any moneys to be so deposited in the Administrative Bond Service Account prior to such Interest Payment Date; and (iv) any moneys remaining in the Administrative Service Fund on the date of such certificate which moneys are to be deposited immediately into the Administrative Bond Service Account. Such amounts shown on such certificate shall be a credit against the next rental payment due under the Administrative Lease.

## **Events of Default and Remedies**

**Events of Default.** The following events constitute Events of Default under the Administrative Trust Agreement:

- (i) Default by the Authority in the payment of any interest on any Administrative Bond when due and payable; or
- (ii) Default by the Authority in the payment of the principal of or any redemption premium on any Administrative Bond when due and payable, whether at stated maturity, by mandatory redemption or by mandatory purchase; or
- (iii) Any other default by the Authority to perform or observe any other covenants, agreements or conditions on its part contained in the Administrative Trust Agreement or the Administrative Bonds and continuance of such default for 60 days after written notice thereof from the Administrative Trustee or the Holders of not less than 25% in aggregate principal amount of the affected Administrative Bonds then outstanding.

If an Event of Default occurs, the Administrative Trustee will give notice to the Authority and any applicable Financial Institution within five days of receipt of actual knowledge thereof and to the applicable original purchasers, Holders, tender agents, paying agents, bond registrars and authenticating agents within 90 days after having such knowledge, unless the Event of Default is cured or, in the case of an Event of Default under clause (iii) above, the Administrative Trustee determines that withholding notice is in the best interest of the Holders of the Administrative Bonds.

**Remedies.** If an Event of Default described in clauses (i) or (ii) above occurs and is not remedied, the Administrative Trustee shall proceed to protect and enforce its rights and the rights of the Holders of the Administrative Bonds, which includes the right to declare the principal of all Administrative Bonds and interest accrued thereon to be immediately due and payable. At any time after that declaration, and prior to the entry of judgment in a court for enforcement or the appointment of a receiver under the Administrative Trust Agreement, such declaration of acceleration is subject to rescission and annulment by the Administrative Trustee if all sums payable under the Administrative Trust Agreement (except the principal and interest on Administrative Bonds which have not reached their stated maturity dates and which are due and payable solely by reason of that declaration of acceleration), plus interest (to the extent permitted by law) on any overdue installments of interest have been paid or provided for by deposit with the Administrative Trustee or paying agents for the Administrative Bonds, and all existing Events of Default have been cured.

If an Event of Default occurs under the Administrative Trust Agreement and is not remedied, the Administrative Trustee may, as an alternative or in addition to acceleration of the Administrative Bonds, enforce the rights of the Holders of the Administrative Bonds by mandamus or other suit, action or proceeding at law or in equity, bring suit upon the Administrative Bonds, enjoin unlawful activities or activities in violation of the rights of Holders or Financial Institutions under the Administrative Trust Agreement or, in the case of an Event of Default described in clause (i) or (ii) above, apply to a court to appoint a receiver of the Administrative Pledged Receipts. If an Event of Default described in clause (iii) above occurs and is not remedied, and if requested by the Holders of at least 25% in aggregate principal amount of the affected Administrative Bonds then outstanding or a Financial Institution providing a Credit Support Instrument with respect to the affected Administrative Bonds and indemnified as provided in the Administrative Trust Agreement, the Administrative Trustee will exercise such one or more rights and powers conferred by the Administrative Trust Agreement as the Administrative Trustee, being advised by counsel, shall consider most effective to protect and enforce those rights.

The Administrative Trustee is not required to take notice, or deemed to have notice or knowledge, of any default under the Administrative Trust Agreement, except Events of Default described in clauses (i) and (ii) above, unless the Administrative Trustee is specifically notified in writing of such default by the Authority or by the Holders of at least 10% of the aggregate principal amount of Administrative Bonds then outstanding or a Financial Institution providing a Credit Support Instrument with respect to the affected Administrative Bonds, and in the

absence of such notice so delivered, the Administrative Trustee may conclusively assume there is no Event of Default except as described above.

As discussed above, the Administrative Trust Agreement provides for the appointment of a receiver to recover and administer the Administrative Pledged Receipts upon the occurrence of certain Events of Default, but the right to a receiver under Ohio law is discretionary with the court as equitable principles may dictate. The appointment of a receiver, accordingly, may not be available as a remedy for the Administrative Trustee or the Holders of the Administrative Bonds. Moreover, the Act withholds from any receiver the power to pledge additional revenues or income of the Authority to the payment of the Bond Service Charges on the Administrative Bonds and excludes the power to take possession of, mortgage, or cause the sale or other disposition of any Administrative Project.

All moneys held or received by the Authority, the Administrative Trustee or the receiver after an Event of Default under the Administrative Trust Agreement occurs, after the payment of the costs and expenses incurred in the collection thereof and the fees, expenses, liabilities and advances of the Administrative Trustee or the receiver, shall be applied as follows: (i) unless the principal of all the Administrative Bonds has become or been declared due and payable, (a) first, to the payment of all installments of interest then due on the Administrative Bonds (or the reimbursement of Financial Institutions for such interest payments made pursuant to Credit Support Instruments), in the order of the maturity of the installments of such interest and, if the amount available is not sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or privilege except as to any difference in the respective rates of interest specified in the Administrative Bonds; (b) next, to the payment of unpaid principal of any of the Administrative Bonds (or the reimbursement of Financial Institutions for such principal payments made pursuant to Credit Support Instruments) which have become due (other than Administrative Bonds previously called for redemption for the payment of which moneys are held pursuant to the provisions of the Administrative Trust Agreement), whether at stated maturity, by redemption or pursuant to any mandatory sinking fund requirements, in the order of their due dates, with interest, and if the amount is insufficient to pay in full all Administrative Bonds (and reimburse in full Financial Institutions for such principal payments made pursuant to Credit Support Instruments), then to the payment ratably according to the amount of principal due on that date to the persons entitled thereto, without discrimination or privilege; and (c) finally, to the payment of all other obligations of the Authority to Financial Institutions; or (ii) if the principal of all of the Administrative Bonds has become or been declared due and payable, to the payment of principal and interest then due and unpaid upon the Administrative Bonds (and reimbursement of Financial Institutions for such principal and interest payments made pursuant to Credit Support Instruments), without preference or priority of principal over interest or of interest over principal, or any installment of interest over any other installment of interest, or of any Administrative Bond over any other Administrative Bond, ratably, according to the amounts due respectively for principal and interest to the persons entitled thereto without any discrimination or privilege (except as to any difference in the respective rates of interest specified in the Administrative Bonds) and then to the payment of all other obligations of the Authority to Financial Institutions; or (iii) if the principal of all the Administrative Bonds has been declared due and payable, and if such declaration shall thereafter have been rescinded and annulled as provided in the Administrative Trust Agreement then, subject to clause (ii) of this paragraph in the event that the principal of all such Administrative Bonds shall later become due and payable, the moneys shall be deposited in the Administrative Bond Service Account and applied in accordance with the provisions of the Administrative Resolutions. Whenever moneys are to be applied as described above, those moneys are to be applied at the times the Administrative Trustee determines, having due regard to the amount of those moneys available for application and the likelihood of additional moneys becoming available for application in the future.

Whenever the Administrative Trustee directs the application of those moneys, it is required to fix the date (which must be an Interest Payment Date with respect to the Administrative Bonds unless the Administrative Trustee deems another date more suitable) upon which the application is to be made and upon that date interest on the amounts of principal to be paid on that date, and for which moneys are available, will cease to accrue. The Administrative Trustee is required to give notice as it deems appropriate of the deposit of any such moneys and of the fixing of any such date, all consistent with the requirements of the Administrative Resolutions for the establishment of, and for giving notice of, a special record date for the payment of overdue interest. The Administrative Trustee is not required to direct payment of principal or premium to the Holder of any

Administrative Bond until that Administrative Bond is presented to the Administrative Trustee for appropriate notation of partial payment or for cancellation if fully paid.

No Holder of any Administrative Bond has any right to institute any suit, action or proceeding for the enforcement of any provision of the Administrative Trust Agreement or for the execution of any trust thereof or for the appointment of a receiver or any other remedy thereunder unless (i) an Event of Default under the Administrative Trust Agreement has occurred and is continuing; (ii) that Holder has previously given to the Administrative Trustee written notice of the Event of Default; (iii) the Holders of at least 25% in aggregate principal amount of the Administrative Bonds then outstanding have filed a written request with the Administrative Trustee and have afforded the Administrative Trustee reasonable opportunity either to proceed to exercise its powers or to institute such action, suit or proceeding in its own name; (iv) such Holders have offered the Administrative Trustee adequate indemnity as provided in the Administrative Trust Agreement; and (v) the Administrative Trustee has failed or refused to comply with such request after receipt by it of such notice, request and offer of indemnity. No one or more Holders of any Administrative Bonds have any right in any manner whatsoever to affect, disturb or prejudice the pledge created by the Administrative Trust Agreement or to enforce any right thereunder except in the manner therein provided, and all actions, suits and proceedings shall be instituted and maintained in the manner therein provided and for equal benefit of the Holders of all outstanding Administrative Bonds.

Notwithstanding the foregoing, the Holders of not less than a majority in aggregate principal amount of the outstanding Administrative Bonds have the right with the consent of each Financial Institution not then in default on its obligations with respect to the Administrative Bonds, at any time, by an executed instrument delivered to the Administrative Trustee, to direct all proceedings to be taken in connection with the enforcement of the Administrative Trust Agreement or for the appointment of a receiver, provided that such direction must be in accordance with the law and the Administrative Trust Agreement, and provided that such Holders have offered to the Administrative Trustee indemnity as provided in the Administrative Trust Agreement. No Financial Institution will have rights with respect to the enforcement of remedies against itself.

### **Waiver of Events of Default**

Except as may otherwise be provided in any Supplemental Administrative Trust Agreement, at any time the Administrative Trustee may in its discretion, with the prior written consent of any Financial Institution providing a Credit Support Instrument in connection with affected Administrative Bonds and not then in default on its obligations with respect to such Administrative Bonds, waive any Event of Default under the Administrative Trust Agreement and its consequences and rescind any declaration of maturity of principal, and the Administrative Trustee must waive any Event of Default or rescind any declaration of maturity of principal upon the written request of the Holders of at least a majority in aggregate principal amount of all of the outstanding Administrative Bonds and with the consent of each Financial Institution providing a Credit Support Instrument in connection with the affected Administrative Bonds. The Administrative Trustee will not however, waive or rescind any Event of Default resulting from a failure to pay Bond Service Charges on the Administrative Bonds when due or rescind any declaration of maturity in connection therewith unless at the time of the waiver or rescission payment of all overdue installments of interest and principal, not including principal and interest due solely by virtue of acceleration, has been made or provided.

### **Supplemental Administrative Trust Agreements**

Without the consent of or notice to the Holders of the Administrative Bonds, the Authority and the Administrative Trustee may enter into Supplemental Administrative Trust Agreements for any one or more of the following purposes: (i) to cure any ambiguity, inconsistency or formal defect or omission in the Administrative Trust Agreement; (ii) to grant or to confer upon the Administrative Trustee additional rights, remedies, powers or authority that lawfully may be granted to or conferred upon the Holders of the Administrative Bonds or any Financial Institution (to the extent not contrary to the interests of Holders of Administrative Bonds) or the Administrative Trustee; (iii) to subject additional revenues or receipts to the pledge of the Administrative Trust Agreement; (iv) to add to the covenants and agreements of the Authority contained in the Administrative Trust Agreement other covenants and agreements to be observed for the protection of the Holders of the Administrative Bonds or Financial Institutions (to the extent not contrary to the interests of Holders of Administrative Bonds) or to surrender or limit any right, power or authority reserved to or conferred upon the Authority in the Administrative

Trust Agreement; (v) to evidence any succession to the Authority and the assumption by such successor of the covenants and agreements of the Authority in the Administrative Trust Agreement and the Administrative Bonds; (vi) in connection with the issuance of Additional Administrative Bonds in accordance with the Administrative Trust Agreement; (vii) to permit the exchange of Administrative Bonds at the option of the Holder for coupon Administrative Bonds in accordance with the Administrative Trust Agreement if, in the opinion of nationally recognized bond counsel selected by the Authority, that exchange would not result in the interest on any of the tax-exempt Administrative Bonds outstanding becoming subject to federal income taxation; (viii) to permit the use of a Book-Entry System to identify the owner of an interest in an Administrative Bond; (ix) to permit the Administrative Trustee to comply with any obligations imposed by law; (x) to specify further the duties and responsibilities of, and to define further the relationship among, the Administrative Trustee and any Administrative Bond registrar, authenticating agent or paying agent for the Administrative Bonds; (xi) to achieve compliance with any applicable federal securities or tax law; and (xii) to permit any other amendment that is, in the judgment of the Administrative Trustee, not prejudicial to the Administrative Trustee or the Holders of the Administrative Bonds.

In addition, with the consent of the Holders of not less than a majority in aggregate principal amount of the Administrative Bonds then outstanding (exclusive of Administrative Bonds then held or owned by the Authority), the Administrative Trustee and the Authority may enter into other Supplemental Administrative Trust Agreements for the purpose of modifying, altering, amending, adding to or rescinding any of the terms or provisions thereof, provided that no Supplemental Administrative Trust Agreement may be entered into which provides for (i) an extension of the maturity of the principal of or the interest on any Administrative Bond or a reduction in the principal amount of any Administrative Bond or the rate of interest or redemption premium on any Administrative Bond or reduction in the amount or extension of time of any payment required by any mandatory sinking fund requirement relating to the Administrative Bonds, without the consent of the Holder of each Administrative Bond so affected, or (ii) a reduction in the aggregate principal amount of the Administrative Bonds required for consent to such Supplemental Administrative Trust Agreement without the consent of the Holders of all Administrative Bonds then outstanding.

Where the consent of the Holders of Administrative Bonds is required, procedures are established in the Administrative Trust Agreement for notice to the Holders and for the execution and filing of the requisite consents. Any consent is binding upon the Holders of the Administrative Bonds giving such consent and upon any subsequent Holders of such Administrative Bonds unless such consent is revoked in writing prior to the execution by the Administrative Trustee of the Supplemental Administrative Trust Agreement. If the Holders of the required percentage in aggregate principal amount of the Administrative Bonds then outstanding have consented to the execution of a Supplemental Administrative Trust Agreement as provided in the Administrative Trust Agreement, no Holder of any Administrative Bond has any right to object to the execution of the Supplemental Administrative Trust Agreement or to the terms and provisions contained therein or the operation thereof, to question the propriety of the execution thereof or to enjoin or restrain the Authority or the Administrative Trustee from executing or taking action pursuant to the same.

### **Defeasance**

When all outstanding Administrative Bonds, all obligations of the Authority to Financial Institutions with respect thereto and all other sums payable under the Administrative Trust Agreement have been paid and discharged (or provisions therefor have been made within the meaning of the Administrative Trust Agreement), then the Administrative Trust Agreement will be null and void and the obligations, covenants and agreements of the Authority and the pledge created by the Administrative Trust Agreement will be fully discharged and satisfied. Any Administrative Bonds will be deemed to have been so paid and discharged if the Administrative Trustee holds sufficient moneys or direct obligations of the United States of America which bear such interest as will, without further investment, when added with any moneys also deposited, be sufficient in the aggregate to pay at maturity, or upon redemption, the Bond Service Charges on the Administrative Bonds; provided that, with respect to the Administrative Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption has been duly given or provisions satisfactory to the Administrative Trustee have been made for the giving of such notice.

### **Non-Presentation of Administrative Bonds**

If any Administrative Bond is not presented for payment when the principal thereof is due or a check or draft for interest uncashed, and if moneys sufficient to pay that principal or that check or draft shall have been made available by the Administrative Trustee for the benefit of the Holder or payee thereof, all liability of the State or the Authority to the Holder or payee for payment thereof will cease and be completely discharged, and it will be the duty of the Administrative Trustee to hold such moneys in trust, without liability for interest thereon, for the benefit of the Holder of that Administrative Bond, or the payee of that check or draft, who thereafter will be restricted exclusively to such moneys for any claim of whatever nature on its part under the Administrative Trust Agreement or on or with respect to that Administrative Bond or that check or draft. Moneys so held by the Administrative Trustee and which remain unclaimed for three years after the due date of the payment will be paid to the Treasurer and thereafter the Holder of that Administrative Bond or the payee of that check or draft may look only to the Treasurer for payment and then only in the amounts so received by the Treasurer without any interest thereon, and the Administrative Trustee will have no further responsibility with respect to such moneys.

### **Payments Due On Saturdays, Sundays and Holidays**

If any Interest Payment Date, date of maturity of the principal or date fixed for redemption of any Administrative Bonds is a Saturday, Sunday or a day on which (i) the Administrative Trustee is required, or authorized or not prohibited, by law (including without limitation executive orders) to close and is closed, then payment of Bond Service Charges need not be made by the Administrative Trustee or any paying agent for the Administrative Bonds on the applicable date, and the applicable payment may be made on the next succeeding Business Day on which the Administrative Trustee and the paying agent are open for business with the same force and effect as if the applicable payment were made on the applicable date, and no interest shall accrue for the period after that date, or (ii) a paying agent for the Administrative Bonds is required, or authorized or not prohibited, by law (including without limitation executive orders) to close and is closed, then the applicable payment need not be made by that paying agent on the applicable date, and the applicable payment may 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 applicable payment were made on the applicable date, and no interest shall accrue for the period after that date. If, however, the Administrative Trustee is open for business on the applicable date, it shall make any applicable payment required under the Administrative Trust Agreement with respect to interest on outstanding Administrative Bonds and principal of and premium on Administrative Bonds presented to it for payment, regardless of whether any other paying agent for the Administrative Bonds shall be open for business or closed on the applicable date.

### **Administrative Trustee**

The Administrative Trustee, The Huntington National Bank, is a bank organized and existing under the laws of the United States of America, and is authorized to exercise corporate trust powers in the State. The Administrative Trustee has undertaken to perform such duties that are specifically set forth in the Administrative Trust Agreement. The Administrative Trustee will exercise such of the rights and powers vested in it by the Administrative Trust Agreement and use the same degree of care and skill in its exercise thereof as an ordinarily prudent corporate trustee under a trust agreement securing securities for a public agency, and is not obligated to take any action until it has received a satisfactory indemnity bond for its expenses and to protect it against any liability other than liability resulting from its negligence or willful default. The permissive rights of the Administrative Trustee to do things under the Administrative Trust Agreement will not be construed as a duty and the Administrative Trustee will not be answerable for acts or events other than its negligence or willful default.

The Huntington National Bank is among the banks that serve as depositories for State moneys.

## **THE HIGHWAY SAFETY LEASE**

### **General**

The Act provides that the capital facilities financed or constructed by the Authority for State agencies shall be leased to the State agency using those capital facilities or to DAS for the use of such State agency or other

governmental entities. Accordingly, the Authority has leased the Highway Safety Projects to the DPS. Under the Act, the term of any lease between the Authority and such State agency or the DAS shall be for a period not exceeding the then current two-year period for which appropriations for rental payments to the Authority have been made by the General Assembly. Provision may be made for renewals at the end of each term for another term not exceeding two years. The Act also provides that all rentals and other charges by the Authority shall be set so that its revenues are sufficient to meet its requirements, including debt service on all outstanding obligations and all other expenses of the Authority. The following summarizes certain provisions of the Highway Safety Lease to which document reference is made for the detailed provisions thereof.

### **Term of the Highway Safety Lease**

The Highway Safety Lease has been automatically renewed for successive two-year terms and currently expires on June 30, 2011, the end of the current State fiscal biennium. The DPS has the right to renew the Highway Safety Lease for successive Renewal Terms of two years each, commencing on the beginning of each State fiscal biennium (currently July 1 of each odd-numbered year), upon the same terms as are contained in the Highway Safety Lease, unless sooner terminated in accordance with the Highway Safety Lease and Highway Safety Trust Agreement. The right of DPS to renew the term of the Highway Safety Lease shall be deemed exercised upon the effectiveness, at or prior to the expiration of the then current term of the Highway Safety Lease, of legislation enacted by the General Assembly appropriating funds to the DPS at least equal to the Basic Rent (as described below) and amounts the Authority deems necessary for Additional Rent (as described below) including sums payable pursuant to the Highway Safety Trust Agreement for items such as estimated administrative and overhead expenses of the Authority with respect to the Highway Safety Projects, and certain other sums payable under the Highway Safety Lease during the next Renewal Term. See “**THE HIGHWAY SAFETY LEASE - Rental Payments and Pledges.**”

### **Rental Payments and Pledges**

The Highway Safety Lease requires the DPS to make rental payments sufficient to pay the Bond Service Charges on outstanding Highway Safety Bonds, certain administrative costs of the Authority and any additional amounts required to be paid into the Highway Safety Rebate Fund. The Highway Safety Lease rental payments (other than those to be deposited in the Highway Safety Administrative Service Fund created under the Highway Safety Trust Agreement for the payment of various administrative and operating expenses of the Authority and for deposit into the Highway Safety Rebate Fund) are pledged by the Authority pursuant to the Highway Safety Trust Agreement for the payment of Bond Service Charges on the Highway Safety Bonds. All Highway Safety Lease rental payments are required to be deposited in the Highway Safety Bond Service Fund, the Highway Safety Administrative Service Fund or the Highway Safety Rebate Fund. See “**THE HIGHWAY SAFETY TRUST AGREEMENT - Funds and Accounts.**”

During each term of the Highway Safety Lease, the DPS has agreed to pay the Authority, without notice or demand, on or before each Rental Payment Date, Basic Rent that includes (i) an amount equal to the Bond Service Charges on all outstanding Highway Safety Bonds, 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 Highway Safety Bonds; (ii) such sums, if any, as shall be necessary to maintain any applicable required reserve in a bond service reserve account (none is provided for or required with respect to the Highway Safety Series 2010 A Bonds; (iii) such sums, if any, as shall be necessary to purchase any Highway Safety Bonds which the Authority is obligated to purchase from any Financial Institution; and (iv) such sums, if any, as shall be necessary to make any payments which the Authority is obligated to make pursuant to any related agreement between the Authority and any Financial Institution issuing a Credit Support Instrument for one or more series of Highway Safety Bonds. During each term of the Highway Safety Lease, the DPS has the option to make prepayments of Basic Rent for the purchase, redemption or defeasance of any Highway Safety Bonds.

During each term of the Highway Safety Lease, the DPS has also agreed to pay, as Additional Rent, an amount equal to certain administrative fees, expenses and obligations, other than Bond Service Charges, incurred by the Authority and amounts required to be paid into the Highway Safety Rebate Fund to the extent not available from other sources, and amounts sufficient to pay the costs and expenses of an Interest Rate Hedge, if any, and any fees, costs and expenses in connection therewith.

Except as described below under “**THE HIGHWAY SAFETY LEASE - Legislative Appropriations**”, the obligation of the DPS to pay Basic Rent and Additional Rent during each two-year term of the Highway Safety Lease is absolute and unconditional, and is payable without any rights of termination, set-off, recoupment, deduction, defense or counterclaim the DPS might have against the Authority, the Highway Safety 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 or not the Highway Safety Projects are ever acquired, constructed, installed or made ready for occupancy or are ever used or occupied by the DPS, or are available for use or occupancy by the DPS, any actions of the DPS involving the substitution of furnishings, equipment, and related property in connection with the Highway Safety Projects or the alteration of or addition to the Highway Safety Projects, any acts or circumstances constituting eviction or constructive eviction, failure of consideration, failure of title or frustration of purpose, or any damage to or destruction of any of the Highway Safety Projects or any taking of the title to or the right of temporary use of all or any part of the Highway Safety Projects by condemnation or eminent domain.

### **Project Substitutions and Alterations**

The DPS has the privilege of (i) substituting or removing furnishings, equipment and related property in connection with the Highway Safety Projects, provided that such substitution or removal shall not impair the character or usefulness of the Highway Safety Projects; and (ii) making changes, alterations and additions, structural or otherwise, to the Highway Safety Projects, which changes, alterations and additions become a part of the Highway Safety Projects. The DPS may grant at any time leases, easements, or rights of use to other persons or entities in the Highway Safety Projects as may be allowed by law.

### **Insurance**

The Authority has no obligation to provide insurance of any kind for, or with respect to activities connected with, the Highway Safety Projects or the repair of or reconstruction of all or any portion of the Highway Safety Projects following any damage to or destruction of the Highway Safety Projects or any portion thereof. If the DPS or others at any time provide any such insurance, the Authority will have no right or interest therein or to any proceeds therefrom.

### **Legislative Appropriations**

The agreement of the DPS to make rental payments pursuant to the Highway Safety Lease, and to perform other obligations involving expenditures thereunder, at times and in the amounts provided for in the Highway Safety Lease, is effective and binding upon the DPS only when and to the extent that moneys have been appropriated by the General Assembly and are available for that purpose. Under the Ohio Constitution, an appropriation may not be made for more than a two-year period. In addition, the Highway Safety Lease may be renewed only for two-year periods. Accordingly, the DPS is obligated to make payments under the Highway Safety Lease only for two-year periods, to the extent moneys have been appropriated and are available.

The Highway Safety Lease requires that projected payments under the Highway Safety Lease be included in the estimated budget of the DPS for the State budget estimates prepared by the Director of Budget and Management for each State fiscal biennium and submitted to the Governor for inclusion in the biennial State budget submitted by the Governor to the General Assembly. See “**THE AUTHORITY - Budgetary Process.**” The Highway Safety Lease provides that, on or before the commencement of each State Fiscal Year, currently July 1 of each year, the Authority shall submit to the DPS and to the Director of Budget and Management a schedule which shall set forth the estimated amounts and dates of the rental payments due under the Highway Safety Lease during that Fiscal Year and on a timely basis shall supplement or correct such schedule to reflect any changes in such rental payments. The DPS encumbers the appropriations made for the rental payments under the Highway Safety Lease during that Fiscal Year as set forth in the schedule. On a timely basis prior to the date required for each such rental payment, the DPS is required to submit an order in the nature of an invoice or voucher for each rental payment to cause issuance of a warrant payable to the Authority and the Highway Safety Trustee and redeemable at the office of the Treasurer in accordance with law, for all such rental payments at the times therefor and for payment in accordance with the Highway Safety Trust Agreement. Such rental payments are required to be deposited for credit to the appropriate fund or account in accordance with the Highway Safety Trust Agreement.

Under the terms of the Highway Safety Lease, a failure by the General Assembly to appropriate moneys at least equal to Basic Rent, amounts the Authority estimates are necessary for Additional Rent and other sums payable under the Highway Safety 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 Highway Safety Lease will, however, be fully reinstated, as if it had never been terminated, provided the conditions set forth below under “**THE HIGHWAY SAFETY LEASE - Reinstatement**” are met.

**The General Assembly may not make appropriations for a period longer than two years. While the Authority expects that, for each State fiscal biennium, the General Assembly will appropriate amounts to the DPS sufficient to make its rental payments to the Authority under the Highway Safety 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. Section 2i of Article VIII of the Ohio Constitution and the Act provide that the Holders and Book-Entry Interest Owners of the Highway Safety Bonds will have no right to have excises or taxes levied by the General Assembly for the payment of Bond Service Charges thereon.**

### **Remedies**

In the event of a termination of the Highway Safety Lease, the Highway Safety Lease provides that the Authority waives, relinquishes and releases any and all rights it may have of re-entry or to take or retake possession of the Highway Safety Projects and agrees not to exercise any such rights. **Consequently, the Authority does not have the remedies generally available to lessors upon termination and the Authority may have no practical remedy to insure that moneys are available for the payment of Bond Service Charges on the Highway Safety Series 2010 A Bonds.**

### **Termination**

If the DPS fails to exercise its right to renew the term of the Highway Safety Lease for any Renewal Term, the Highway Safety Lease will terminate at the end of the Renewal Term then in effect. In the event of such a termination of the Highway Safety Lease, the obligation of DPS to make rental payments to provide moneys to pay Bond Service Charges on Highway Safety Bonds would terminate. The Highway Safety Lease also terminates upon payment in full of all Highway Safety Bonds outstanding under the Highway Safety Trust Agreement and all obligations of the Authority to Financial Institutions. Under the Act and the Highway Safety Trust Agreement, the Highway Safety Trustee may not take possession of, or operate, or sell the Highway Safety Projects in the event of a failure to pay Basic Rent or Additional Rent under the Highway Safety Lease or upon any termination of the Highway Safety Lease.

### **Reinstatement**

Notwithstanding any termination of the Highway Safety Lease, if (a) all payments of Bond Service Charges on the Highway Safety Bonds (other than as a result of acceleration) and all other payments due under the Highway Safety Trust Agreement have been made, (b) any acceleration of the Highway Safety Bonds has been duly rescinded and annulled, (c) all defaults under the Highway Safety Lease have been cured or waived, and (d) the General Assembly has appropriated moneys to enable the DPS to make rental payments to become due under the Highway Safety Lease for any Renewal Term of the Highway Safety Lease to be reinstated, then without further action by the Highway Safety Trustee or the Authority, the Highway Safety Lease shall be fully reinstated as if it had never been terminated.

## **THE HIGHWAY SAFETY TRUST AGREEMENT**

### **General**

The following, in addition to information contained above under the headings “**SERIES 2010 BONDS**” and “**SECURITY FOR THE SERIES 2010 BONDS**”, summarizes certain provisions of the Highway Safety Trust Agreement to which document reference is made for the detailed provisions thereof. The Highway Safety

Resolutions authorizing the Highway Safety Series 2010 A Bonds are incorporated in their entirety in, and constitute part of, the Highway Safety Trust Agreement and all references herein to the Highway Safety Trust Agreement shall, unless specific section references are made, include the Highway Safety Resolutions.

**So long as the Highway Safety Series 2010 A Bonds are immobilized in a Book-Entry System with a Depository, that Depository or its nominee is for all purposes of the Highway Safety Trust Agreement considered by the Authority and the Highway Safety Trustee to be the Holder of the Highway Safety Series 2010 A Bonds and the Beneficial Owners of the Highway Safety Series 2010 A Bonds will not be considered Holders of the Highway Safety Series 2010 A Bonds and have no rights as Holders under the Highway Safety Trust Agreement. See “THE SERIES 2010 BONDS - Registration, Payment and Transfer” and “BOOK-ENTRY FORM.”**

### **Security**

The Highway Safety Trust Agreement provides for a pledge of the Highway Safety Pledged Receipts by the Authority to the Highway Safety Trustee, for the benefit of the Holders of the Highway Safety Bonds. See **“SECURITY FOR THE SERIES 2010 BONDS.”**

### **Funds and Accounts**

The Highway Safety Trust Agreement establishes the following funds and accounts to be held by the Highway Safety Trustee and used for specific purposes thereunder: the Highway Safety Bond Service Fund, which includes the Highway Safety Bond Service Account, and may include a bond service reserve account and a bond redemption and purchase account; the Highway Safety Administrative Service Fund; and the Highway Safety Rebate Fund (collectively referred to herein as the “Highway Safety Funds”). In addition, the General Assembly has created the Highway Safety Building Fund to be held by the Treasurer, which may include a separate account for each Highway Safety Project and each series of Highway Safety Bonds. See **“HIGHWAY SAFETY BUILDING FUND.”** The Highway Safety Building Fund, the Highway Safety Administrative Service Fund and the Highway Safety Rebate Fund are not pledged to the payment of Bond Service Charges on Highway Safety Bonds.

**Highway Safety Bond Service Account.** The Highway Safety Bond Service Account has been established in the Highway Safety Bond Service Fund. There will be deposited in the Highway Safety Bond Service Account: (i) all rental payments and other revenues and receipts of the Authority derived under the Highway Safety Lease (except the portion of such moneys to be credited to other funds and accounts); (ii) any other available Highway Safety Pledged Receipts; (iii) excess moneys remaining in the Highway Safety Administrative Service Fund; and (iv) all other revenues or receipts derived by the Authority from the Highway Safety Projects unless previously pledged. The Highway Safety Bond Service Account, except moneys transferred to the Highway Safety Rebate Fund, any bond service reserve account (none is provided for or required with respect to the Highway Safety Series 2010 A Bonds) or any bond redemption and purchase account will be used solely for the payment of Bond Service Charges on the Highway Safety Bonds as they become due or for payments due to a Financial Institution in reimbursement of payments made pursuant to a Credit Support Instrument provided in connection with the Highway Safety Bonds.

**Highway Safety Administrative Service Fund.** The Highway Safety Administrative Service Fund will be used to pay (i) the underwriting fees and expenses and the regular and special fees and reimbursement of reasonable expenses of the Highway Safety Trustee, bond registrars, paying agents, authenticating agents, tender agents, depositories, financial advisors, consultants, remarketing agents, indexing agents, attorneys, accountants and others providing services, including any Credit Support Instrument, with respect to the authorization, sale, issuance and delivery of Highway Safety Bonds, and (ii) the financing charges, costs of printing, engraving, advertising and other expenses in connection with the authorization, sale, issuance and delivery of Highway Safety Bonds.

Fees and expenses incurred by the Authority and payable from the Highway Safety Administrative Service Fund will also be funded from Additional Rent due under the Highway Safety Lease and paid into the Highway Safety Administrative Service Fund. Any excess in the Highway Safety Administrative Service Fund is required to be transferred to the Highway Safety Bond Service Account.

Highway Safety Rebate Fund. Pursuant to the Highway Safety Trust Agreement, there has been created by the Authority and ordered to be maintained in the custody of the Highway Safety Trustee as a separate deposit account, a Highway Safety Rebate Fund in which the Authority may establish separate rebate accounts for each series of Highway Safety Bonds, including the Highway Safety Series 2010 A Bonds. The Eighth Supplemental Highway Safety Trust Agreement establishes the Highway Safety Series 2010 A Rebate Account for the Highway Safety Series 2010 A Bonds in the Highway Safety Rebate Fund to comply with the provisions of Section 148(f) of the Code. The amounts on deposit in the Highway Safety Rebate Fund are not pledged to the Holders of Highway Safety Bonds or any Financial Institution as security for the payment of Bond Service Charges on the Highway Safety Bonds or obligations due to any Financial Institutions, are not Highway Safety Pledged Receipts, and are not subject to the pledge and assignment created by the Highway Safety Trust Agreement.

At the times and in the manner required by the Code, (a) the Authority or a firm of independent certified public accountants or a firm of nationally recognized bond counsel engaged by the Authority or the Highway Safety Trustee, will calculate the amount payable to the Highway Safety Rebate Fund; (b) the Treasurer, on behalf of the Authority, will transfer amounts in the Highway Safety Rebate Fund from the Highway Safety Building Fund, or, if necessary, the Authority will provide for such amounts from additional rentals pursuant to the Highway Safety Lease in accordance with law or from the Highway Safety Administrative Service Fund; and (c) the Highway Safety Trustee will pay amounts in the Highway Safety Rebate Fund to the United States of America.

Special Subaccounts. If and to the extent provided in any Highway Safety Series Resolution, the Authority may, pursuant to that Highway Safety Series Resolution, create special subaccounts in the Highway Safety Bond Service Fund or the Highway Safety Rebate Fund, with reference to the Additional Highway Safety Bonds authorized by that Highway Safety Series Resolution, and make special provisions, among others, for any proceeds of those Additional Highway Safety Bonds allocated by the Highway Safety Series Resolution to capitalized interest or to funding a bond service reserve account for such Additional Highway Safety Bonds, and for any Highway Safety Pledged Receipts (other than rental payments and other revenues and receipts of the Authority under the Highway Safety Lease, and income from the investment of special funds and any other Highway Safety Pledged Receipts pledged to all Highway Safety Bonds) pledged exclusively to those Additional Highway Safety Bonds by the applicable Supplemental Highway Safety Trust Agreement, to be deposited to the credit of such special subaccounts, and for the holding, investing and disposition of any moneys credited to those subaccounts in accordance with that Highway Safety Series Resolution and for the primary or exclusive benefit of the Additional Highway Safety Bonds authorized by or referred to in that Highway Safety Series Resolution. If moneys credited to such subaccounts and income from the investment of those moneys are so restricted, then the amounts credited to such subaccounts and to be derived from those investments, to the extent so restricted, shall not be deemed to be available for Bond Service Charges on other Highway Safety Bonds in determining the sufficiency of the Highway Safety Bond Service Account or any bond service reserve account applicable to the other Highway Safety Bonds under the provisions of the Highway Safety General Bond Resolution and the applicable Highway Safety Series Resolution.

### **Investment of Certain Funds**

Moneys in the Highway Safety Building Fund will be invested in accordance with State law. Moneys held in the Highway Safety Bond Service Fund, the Highway Safety Administrative Service Fund and the Highway Safety Rebate Fund may be invested and reinvested by the Highway Safety Trustee in accordance with the instructions of the Authority in any Eligible Investments. Investments of moneys credited to those Highway Safety Funds will mature or be redeemable at the option of the holder thereof at the times and in the amounts necessary to provide moneys when needed for payments to be made from those Highway Safety Funds, and moneys held in the Highway Safety Bond Service Fund will be available to pay Bond Service Charges on the Highway Safety Bonds when they become due. Any investment of moneys in any Highway Safety Fund will be deemed at all times a part of that Highway Safety Fund and any income will be credited and any loss will be charged to that Highway Safety Fund. Investments will be valued at the lesser of face or market value on a quarterly basis, or more frequently as determined by the Authority, to evaluate the adequacy of amounts in the Highway Safety Bond Service Account or any bond service reserve account and excess amounts in any other accounts. The Authority will be entitled to rely on books of record and accounts maintained by the Director of Budget and Management with respect to all transactions relating to the Highway Safety Building Fund.

### **Additional Highway Safety Bonds**

One or more series of Additional Highway Safety Bonds may be issued under the Highway Safety Trust Agreement for the purpose of paying additional costs of the Highway Safety Projects, for the purpose of acquiring, constructing, reconstructing, rehabilitating, remodeling, renovating, enlarging, improving, altering, equipping and furnishing the Highway Safety Projects, including the sites thereof, which are Capital Facilities, for the use of the DPS and other governmental entities as authorized by the General Assembly (in an amount, for all such Highway Safety Projects, not in excess of the project costs as authorized by the General Assembly) and for the purpose of refunding certain obligations issued under the Act. Such Additional Highway Safety Bonds will be on a parity with the Highway Safety Bonds outstanding under the Highway Safety Trust Agreement, except as to bond service reserve accounts or Credit Support Instruments, if any, applicable only to certain series of such outstanding Highway Safety Bonds.

The issuance of Additional Highway Safety Bonds under the Highway Safety Trust Agreement is also subject to the following conditions, among others: (i) the Authority is not in default of any covenants or obligations of the Authority contained in the Highway Safety Trust Agreement or in the Highway Safety Bonds and the authentication and delivery of the Additional Highway Safety Bonds will not result in any such default; (ii) the principal amount of the Additional Highway Safety Bonds and of other Highway Safety Bonds then issued or outstanding and of any notes or other obligations then issued or outstanding (other than such notes or other obligations to be, and only to the extent to be, funded or refunded by such Additional Highway Safety Bonds then being issued), will not exceed in the aggregate the principal amount of obligations which may be issued or outstanding under then existing authorizations of the General Assembly and the provisions of the Act; (iii) upon the issuance and delivery of such Additional Highway Safety Bonds, the amount in any bond service reserve account for such Additional Highway Safety Bonds shall not be less than the applicable required reserve, if any; (iv) any necessary Supplemental Highway Safety Lease will have been executed and delivered providing for rental payments sufficient to pay the Bond Service Charges and other expenses with respect to such Additional Highway Safety Bonds and appropriations have been made by the General Assembly during the then current fiscal biennium in an amount estimated to be sufficient to pay the Bond Service Charges and other costs related to such Additional Highway Safety Bonds during such biennium; (v) the certificate of the Director of Budget and Management confirming that amounts sufficient to pay currently estimated rental payments under the Highway Safety Lease have been appropriated and that amounts in subsequent biennia have been requested, when appropriate; and (vi) the Highway Safety Trustee has received (a) a copy, certified by the Secretary-Treasurer or other authorized officer of the Authority, of the Highway Safety Series Resolution authorizing the issuance and delivery of the Additional Highway Safety Bonds to be authenticated and delivered, adopted in conformity with the Highway Safety General Bond Resolution and containing the findings required by the Highway Safety General Bond Resolution to be set forth in that Highway Safety Series Resolution; (b) an original executed counterpart of the Supplemental Highway Safety Trust Agreement entered into in connection with the issuance of those Additional Highway Safety Bonds; (c) an original executed counterpart of any Supplemental Highway Safety Lease entered into in connection with the issuance of those Additional Highway Safety Bonds; (d) a request and authorization to the Highway Safety Trustee on behalf of the Authority, signed by an authorized officer of the Authority, to authenticate and deliver the Additional Highway Safety Bonds to, or on the order of, the original purchaser thereof who is therein identified, upon payment of a sum specified in that request and authorization; (e) the certificate of an authorized officer of the Authority as to items (i), (ii), (iii), (iv) and (v) above; (f) the written opinion of legal counsel retained or designated by the Authority, or other legal counsel satisfactory to the Highway Safety Trustee, to the effect that documents submitted to the Highway Safety Trustee in connection with the application then being made comply with the requirements of the Highway Safety Trust Agreement, and that in that counsel's opinion all conditions precedent to the issuance of those Additional Highway Safety Bonds as provided in the Highway Safety Trust Agreement have been complied with, and a written opinion of bond counsel retained or designated by the Authority who may also be the legal counsel referred to above, that the Additional Highway Safety Bonds the authentication of which is applied for, when duly executed, authenticated and delivered by or on behalf of the Highway Safety Trustee, will be valid and legal obligations of the State, issued by the Authority, in accordance with their terms and will be secured by the Highway Safety Trust Agreement with all Highway Safety Bonds then outstanding; and (g) a certificate of an authorized officer or Director of the DPS or the Director of Budget and Management confirming that amounts sufficient to support all rentals estimated to be due under the Highway Safety Lease for the then current fiscal biennium have been appropriated to the DPS for the payment of such rentals and that, to the extent that budget

requests have been made for then next succeeding fiscal biennium amounts sufficient to support all rentals estimated to be due under the Highway Safety Lease for such biennium have been requested.

### **Further Covenants**

Certain other covenants of the Authority contained in the Highway Safety Trust Agreement are as follows:

**Maintenance of Highway Safety Lease and Certain Other Agreements.** The Authority covenants in the Highway Safety Trust Agreement to take all necessary and lawful actions to comply with its obligations, duties and responsibilities under the Highway Safety Lease or any agreements, the revenues or receipts from which constitute Highway Safety Pledged Receipts, and will take all actions within its authority to maintain the Highway Safety Lease and any such agreement in effect and to enforce the rights of the Authority thereunder in accordance with the terms thereof, including actions at law and in equity, as may be appropriate.

The Authority covenants in the Highway Safety Trust Agreement to provide for rental payments in sufficient and appropriate amounts to pay when due (i) all Bond Service Charges on the Highway Safety Bonds from the Highway Safety Bond Service Account or for the payment of any amounts due to a Financial Institution providing a Credit Support Instrument in connection with a series of Highway Safety Bonds, (ii) all operating expenses from the Highway Safety Administrative Service Fund, (iii) all amounts necessary to maintain a required reserve, if any, in any applicable bond service reserve account, and (iv) all amounts in the Highway Safety Rebate Fund to be paid to the United States of America which are not otherwise available in one of the funds or accounts created pursuant to or described in the Highway Safety Trust Agreement. The Authority covenants not to amend, modify, alter, change or waive any term or provision of the Highway Safety Lease if such action would have the effect of (a) reducing the rental payments payable thereunder to amounts less than described in the preceding sentence or changing the times and manner of payment thereof so that such rental payments would not be available when needed for payments to be made from the Highway Safety Funds established by the Highway Safety Trust Agreement, (b) surrendering or limiting any remedies of the Authority under the Highway Safety Trust Agreement (including the rights of the Authority to terminate the Highway Safety Lease) or (c) being adverse to the interest of the Holders of the Highway Safety Bonds or any applicable Financial Institutions.

**Creation of Liens.** The Authority covenants in the Highway Safety Trust Agreement not to make any pledge or assignment of or create or suffer any lien or encumbrance upon the Highway Safety Bond Service Fund or the Highway Safety Pledged Receipts prior to or on a parity with the pledge thereof under the Highway Safety Trust Agreement, except as otherwise authorized or permitted under the Highway Safety Trust Agreement, and, in the case of a bond service reserve account, under the applicable Highway Safety Series Resolution. The Highway Safety Projects are not and may not be pledged by the Authority.

**Enforcement by Mandamus.** The Authority has acknowledged that each provision of the Highway Safety Trust Agreement, the Highway Safety Bonds, the Highway Safety Lease, and all other agreements included in the proceedings relating to the Highway Safety Bonds, are binding upon the Authority, the DPS, and any other State agency or other person or body as may from time to time have authority under law to take such actions as may be necessary to perform all or any part of the duty required by such provision, and that each duty of the Authority, the DPS or other State agency and their respective officers, members and employees undertaken or required pursuant thereto is established as a duty of the Authority and of each such member, officer, and employee having authority to perform such duty specifically enjoined by law resulting from an office, trust or station within the meaning of Section 2731.01 of the Ohio Revised Code providing for enforcement by writ of mandamus.

**Certain Reports.** The Authority annually will file with the Highway Safety Trustee and the Director of Budget and Management: (i) a report, certified by a firm of certified public accountants, setting forth financial statements which present fairly the financial position of the Authority as of the end of the preceding Fiscal Year and the results of the operations and the cash flows of its internal service fund for the Fiscal Year then ended, all in conformity with generally accepted accounting principles (except as noted in such certificate); and (ii) a certificate of such accountants stating that such accountants have examined such report in accordance with generally accepted auditing procedures as such accountants considered necessary in the circumstances, that their examination of such report has included a review of the terms of the Highway Safety Trust Agreement as they relate to matters susceptible of accounting determinations and that such review is sufficient to enable them to give such certificate

and stating whether or not such examination has disclosed the existence, at the end of the Fiscal Year covered by such report (and existing at the date of such certificate), of any Event of Default under the Highway Safety Trust Agreement or any other event which, after notice or lapse of time or both, would become an Event of Default and, if such examination had disclosed such an Event of Default or such an event, specifying the same and the nature and status thereof. See “**THE HIGHWAY SAFETY TRUST AGREEMENT - Events of Default and Remedies.**”

The Authority will annually submit to the Director of Budget and Management and the DPS a written report confirmed by the Highway Safety Trustee setting forth the estimated amount of rent to become due under the Highway Safety Lease during the current fiscal year and the ensuing two fiscal years. Upon any determination by the Authority that a different amount than last reported will be required, the Authority will submit a revised written report superseding the next prior report.

On or before the forty-fifth day preceding each Interest Payment Date with respect to Highway Safety Bonds, the Highway Safety Trustee will submit to the Authority, the Director of Budget and Management and the DPS a written certificate setting forth (i) the net interest earned and deposited into the Highway Safety Bond Service Account and not reflected on any previous similar certificate and any net interest to be earned and credited to the Highway Safety Bond Service Account prior to the next applicable Interest Payment Date; (ii) any moneys deposited into the Highway Safety Bond Service Account from any bond service reserve account as a result of excess moneys being in such bond service reserve account and not reflected on any previous certificate and any moneys to be so deposited in the Highway Safety Bond Service Account prior to such Interest Payment Date; (iii) any moneys deposited into the Highway Safety Bond Service Account from the Highway Safety Rebate Fund and not reflected on any previous certificate and any moneys to be so deposited in the Highway Safety Bond Service Account prior to such Interest Payment Date; and (iv) any moneys remaining in the Highway Safety Administrative Service Fund on the date of such certificate which moneys are to be deposited immediately into the Highway Safety Bond Service Account. Such amounts shown on such certificate shall be a credit against the next rental payment due under the Highway Safety Lease.

### **Events of Default and Remedies**

**Events of Default.** The following events constitute Events of Default under the Highway Safety Trust Agreement:

- (i) Default by the Authority in the payment of any interest on any Highway Safety Bond when due and payable; or
- (ii) Default by the Authority in the payment of the principal of or any redemption premium on any Highway Safety Bond when due and payable, whether at stated maturity, by mandatory redemption or by mandatory purchase; or
- (iii) Any other default by the Authority to perform or observe any other covenants, agreements or conditions on its part contained in the Highway Safety Trust Agreement or the Highway Safety Bonds and continuance of such default for 60 days after written notice thereof from the Highway Safety Trustee or the Holders of not less than 25% in aggregate principal amount of the affected Highway Safety Bonds then outstanding.

If an Event of Default occurs, the Highway Safety Trustee will give notice to the Authority and any applicable Financial Institution within five days of receipt of actual knowledge and to the applicable original purchasers, Holders, tender agents, paying agents, bond registrars and authenticating agents within 90 days after having knowledge, unless the Event of Default is cured or, in the case of an Event of Default under clause (iii) above, the Highway Safety Trustee determines that withholding notice is in the best interest of the Holders of the Highway Safety Bonds.

**Remedies.** If an Event of Default described in clauses (i) or (ii) above occurs and is not remedied, the Highway Safety Trustee shall proceed to protect and enforce its rights and the rights of the Holders of the Highway Safety Bonds, which includes the right to declare the principal of all Highway Safety Bonds and interest accrued

thereon to be immediately due and payable. At any time after that declaration, and prior to the entry of judgment in a court for enforcement or the appointment of a receiver under the Highway Safety Trust Agreement, such declaration of acceleration is subject to rescission and annulment by the Highway Safety Trustee if all sums payable under the Highway Safety Trust Agreement (except the principal and interest on Highway Safety Bonds which have not reached their stated maturity dates and which are due and payable solely by reason of that declaration of acceleration), plus interest (to the extent permitted by law) on any overdue installments of interest have been paid or provided for by deposit with the Highway Safety Trustee or paying agents for the Highway Safety Bonds, and all existing Events of Default have been cured.

If an Event of Default occurs under the Highway Safety Trust Agreement and is not remedied, the Highway Safety Trustee may, as an alternative or in addition to acceleration of the Highway Safety Bonds, enforce the rights of the Holders of the Highway Safety Bonds by mandamus or other suit, action or proceeding at law or in equity, bring suit upon the Highway Safety Bonds, enjoin unlawful activities or activities in violation of the rights of Holders or Financial Institutions under the Highway Safety Trust Agreement or, in the case of an Event of Default described in clause (i) or (ii) above, apply to a court to appoint a receiver of the Highway Safety Pledged Receipts. If an Event of Default described in clause (iii) above occurs and is not remedied, and if requested by the Holders of at least 25% in aggregate principal amount of the affected Highway Safety Bonds then outstanding or a Financial Institution providing a Credit Support Instrument with respect to the affected Highway Safety Bonds and indemnified as provided in the Highway Safety Trust Agreement, the Highway Safety Trustee will exercise such one or more rights and powers conferred by the Highway Safety Trust Agreement as the Highway Safety Trustee, being advised by counsel, shall consider most effective to protect and enforce those rights.

The Highway Safety Trustee is not required to take notice, or deemed to have notice or knowledge, of any default under the Highway Safety Trust Agreement, except Events of Default described in clauses (i) and (ii) above, unless the Highway Safety Trustee is specifically notified in writing of such default by the Authority or by the Holders of at least 10% of the aggregate principal amount of a series of Highway Safety Bonds then outstanding or a Financial Institution providing a Credit Support Instrument with respect to the affected Highway Safety Bonds, and in the absence of such notice so delivered, the Highway Safety Trustee may conclusively assume there is no Event of Default except as described above.

As discussed above, the Highway Safety Trust Agreement provides for the appointment of a receiver to recover and administer the Highway Safety Pledged Receipts upon the occurrence of certain Events of Default, but the right to a receiver under Ohio law is discretionary with the court as equitable principles may dictate. The appointment of a receiver, accordingly, may not be available as a remedy for the Highway Safety Trustee or the Holders of the Highway Safety Bonds. Moreover, the Act withholds from any receiver the power to pledge additional revenues or income of the Authority to the payment of the Bond Service Charges on the Highway Safety Bonds and excludes the power to take possession of, mortgage, or cause the sale or other disposition of any Highway Safety Project.

All moneys held or received by the Authority, the Highway Safety Trustee or the receiver after an Event of Default under the Highway Safety Trust Agreement occurs, after the payment of the costs and expenses incurred in the collection thereof and the fees, expenses, liabilities and advances of the Highway Safety Trustee or the receiver, shall be applied as follows: (i) unless the principal of all the Highway Safety Bonds has become or been declared due and payable, (a) first, to the payment of all installments of interest then due on the Highway Safety Bonds (or the reimbursement of Financial Institutions for such interest payments made pursuant to Credit Support Instruments), in the order of the maturity of the installments of such interest and, if the amount available is not sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or privilege except as to any difference in the respective rates of interest specified in the Highway Safety Bonds; (b) next, to the payment of unpaid principal of any of the Highway Safety Bonds (or the reimbursement of Financial Institutions for such principal payments made pursuant to Credit Support Instruments) which have become due (other than Highway Safety Bonds previously called for redemption for the payment of which moneys are held pursuant to the provisions of the Highway Safety Trust Agreement), whether at stated maturity, by redemption or pursuant to any mandatory sinking fund requirements, in the order of their due dates, with interest, and if the amount is insufficient to pay in full all Highway Safety Bonds (and reimburse in full Financial Institutions for such principal payments made pursuant to Credit Support Instruments), then to the payment ratably according to the amount of principal due on that date to the

persons entitled thereto, without discrimination or privilege; and (c) finally, to the payment of all other obligations of the Authority to Financial Institutions; or (ii) if the principal of all of the Highway Safety Bonds has become or been declared due and payable, to the payment of principal and interest then due and unpaid upon the Highway Safety Bonds (and reimbursement of Financial Institutions for such principal and interest payments made pursuant to Credit Support Instruments), without preference or priority of principal over interest or of interest over principal, or any installment of interest over any other installment of interest, or of any Highway Safety Bond over any other Highway Safety Bond, ratably, according to the amounts due respectively for principal and interest to the persons entitled thereto without any discrimination or privilege (except as to any difference in the respective rates of interest specified in the Highway Safety Bonds) and then to the payment of all other obligations of the Authority to Financial Institutions; or (iii) if the principal of all the Highway Safety Bonds has been declared due and payable, and if such declaration shall thereafter have been rescinded and annulled as provided in the Highway Safety Trust Agreement then, subject to clause (ii) of this paragraph in the event that the principal of all such Highway Safety Bonds shall later become due and payable, the moneys shall be deposited in the Highway Safety Bond Service Account and applied in accordance with the provisions of the Highway Safety Resolutions. Whenever moneys are to be applied as described above, those moneys are to be applied at the times the Highway Safety Trustee determines, having due regard to the amount of those moneys available for application and the likelihood of additional moneys becoming available for application in the future.

Whenever the Highway Safety Trustee directs the application of those moneys, it is required to fix the date (which shall be an Interest Payment Date with respect to the Highway Safety Bonds unless the Highway Safety Trustee shall deem another date more suitable) upon which the application is to be made and upon that date interest on the amounts of principal to be paid on that date, and for which moneys are available, will cease to accrue. The Highway Safety Trustee is required to give notice as it deems appropriate of the deposit of any such moneys and of the fixing of any such date, all consistent with the requirements of the Highway Safety Resolutions for the establishment of, and for giving notice of, a special record date for the payment of overdue interest. The Highway Safety Trustee is not required to direct payment of principal or premium to the Holder of any Highway Safety Bond until that Highway Safety Bond is presented to the Highway Safety Trustee for appropriate notation of partial payment or for cancellation if fully paid.

No Holder of any Highway Safety Bond has any right to institute any suit, action or proceeding for the enforcement of any provision of the Highway Safety Trust Agreement or for the execution of any trust thereof or for the appointment of a receiver or any other remedy thereunder unless (i) an Event of Default under the Highway Safety Trust Agreement has occurred and is continuing; (ii) that Holder has previously given to the Highway Safety Trustee written notice of the Event of Default; (iii) the Holders of at least 25% in aggregate principal amount of the Highway Safety Bonds then outstanding have filed a written request with the Highway Safety Trustee and have afforded the Highway Safety Trustee reasonable opportunity either to proceed to exercise its powers or to institute such action, suit or proceeding in its own name; (iv) such Holders have offered the Highway Safety Trustee adequate indemnity as provided in the Highway Safety Trust Agreement, and (v) the Highway Safety Trustee has failed or refused to comply with such request after receipt by it of such notice, request and offer of indemnity. No one or more Holders of any Highway Safety Bonds have any right in any manner whatsoever to affect, disturb or prejudice the pledge created by the Highway Safety Trust Agreement or to enforce any right thereunder except in the manner therein provided, and all actions, suits and proceedings shall be instituted and maintained in the manner therein provided and for equal benefit of the Holders of all outstanding Highway Safety Bonds.

Notwithstanding the foregoing, the Holders of not less than a majority in aggregate principal amount of the outstanding Highway Safety Bonds have the right with the consent of each Financial Institution not then in default on its obligations with respect to the Highway Safety Bonds, at any time, by an executed instrument delivered to the Highway Safety Trustee, to direct all proceedings to be taken in connection with the enforcement of the Highway Safety Trust Agreement or for the appointment of a receiver, provided that such direction must be in accordance with the law and the Highway Safety Trust Agreement, and provided that such Holders have offered to the Highway Safety Trustee indemnity as provided in the Highway Safety Trust Agreement. No Financial Institution will have rights with respect to the enforcement of remedies against itself.

### **Waiver of Events of Default**

Except as may otherwise be provided in any Supplemental Highway Safety Trust Agreement, at any time the Highway Safety Trustee may in its discretion, with the prior written consent of any Financial Institution providing a Credit Support Instrument in connection with affected Highway Safety Bonds and not then in default on its obligations with respect to such Highway Safety Bonds, waive any Event of Default under the Highway Safety Trust Agreement and its consequences and rescind any declaration of maturity of principal, and the Highway Safety Trustee must waive any Event of Default or rescind any declaration of maturity of principal upon the written request of the Holders of at least a majority in aggregate principal amount of all of the outstanding Highway Safety Bonds and with the consent of each Financial Institution providing a Credit Support Instrument in connection with the affected Highway Safety Bonds. The Highway Safety Trustee will not however, waive or rescind any Event of Default resulting from a failure to pay Bond Service Charges on the Highway Safety Bonds when due or rescind any declaration of maturity in connection therewith unless at the time of the waiver or rescission payment of all overdue installments of interest and principal, not including principal and interest due solely by virtue of acceleration, has been made or provided.

### **Supplemental Highway Safety Trust Agreements**

Without the consent of or notice to the Holders of the Highway Safety Bonds, the Authority and the Highway Safety Trustee may enter into Supplemental Highway Safety Trust Agreements for any one or more of the following purposes: (i) to cure any ambiguity, inconsistency or formal defect or omission in the Highway Safety Trust Agreement; (ii) to grant or to confer upon the Highway Safety Trustee additional rights, remedies, powers or authority that lawfully may be granted to or conferred upon the Holders of the Highway Safety Bonds or any Financial Institution (to the extent not contrary to the interests of Holders of Highway Safety Bonds) or the Highway Safety Trustee; (iii) to subject additional revenues or receipts to the pledge of the Highway Safety Trust Agreement; (iv) to add to the covenants and agreements of the Authority contained in the Highway Safety Trust Agreement other covenants and agreements to be observed for the protection of the Holders of the Highway Safety Bonds or Financial Institutions (to the extent not contrary to the interests of Holders of Highway Safety Bonds) or to surrender or limit any right, power or authority reserved to or conferred upon the Authority in the Highway Safety Trust Agreement; (v) to evidence any succession to the Authority and the assumption by such successor of the covenants and agreements of the Authority in the Highway Safety Trust Agreement and the Highway Safety Bonds; (vi) in connection with the issuance of Additional Highway Safety Bonds in accordance with the Highway Safety Trust Agreement; (vii) to permit the exchange of Highway Safety Bonds at the option of the Holder for coupon Highway Safety Bonds in accordance with the Highway Safety Trust Agreement if, in the opinion of nationally recognized bond counsel selected by the Authority, that exchange would not result in the interest on any of the Highway Safety Bonds outstanding becoming subject to federal income taxation; (viii) to permit the use of a Book-Entry System to identify the owner of an interest in a Highway Safety Bond; (ix) to permit the Highway Safety Trustee to comply with any obligations imposed by law; (x) to specify further the duties and responsibilities of, and to define further the relationship among, the Highway Safety Trustee and any bond registrar, authenticating agent or paying agent for the Highway Safety Bonds; (xi) to achieve compliance with any applicable federal securities or tax law; (xii) as permitted by the Highway Safety Trust Agreement in connection with providing for compliance with the rebate requirements of Section 148(f) of the Code; (xiii) to permit or provide for Interest Rate Hedges with respect to obligations issued under the Highway Safety Trust Agreement; and (xiv) to permit any other amendment not prejudicial to the Highway Safety Trustee or the Holders of the Highway Safety Bonds.

In addition, with the consent of the Holders of not less than a majority in aggregate principal amount of the Highway Safety Bonds then outstanding (exclusive of Highway Safety Bonds then held or owned by the Authority), the Highway Safety Trustee and the Authority may enter into other Supplemental Highway Safety Trust Agreements for the purpose of modifying, altering, amending, adding to or rescinding any of the terms or provisions thereof, provided that no Supplemental Highway Safety Trust Agreement may be entered into which provides for (i) an extension of the maturity of the principal of or the interest on any Highway Safety Bond or a reduction in the principal amount of any Highway Safety Bond or the rate of interest or redemption premium on any Highway Safety Bond or reduction in the amount or extension of time of any payment required by any mandatory sinking fund requirement relating to the Highway Safety Bonds, without the consent of the Holder of each Highway Safety Bond so affected, or (ii) a reduction in the aggregate principal amount of the Highway Safety Bonds required for consent

to such Supplemental Highway Safety Trust Agreement without the consent of the Holders of all Highway Safety Bonds then outstanding.

Where the consent of the Holders of Highway Safety Bonds is required, procedures are established in the Highway Safety Trust Agreement for notice to the Holders and for the execution and filing of the requisite consents. Any consent is binding upon the Holders of the Highway Safety Bonds giving such consent and upon any subsequent Holders of such Highway Safety Bonds unless such consent is revoked in writing prior to the execution by the Highway Safety Trustee of the Supplemental Highway Safety Trust Agreement. If the Holders of the required percentage in aggregate principal amount of the Highway Safety Bonds then outstanding have consented to the execution of a Supplemental Highway Safety Trust Agreement as provided in the Highway Safety Trust Agreement, no Holder of any Highway Safety Bond has any right to object to the execution of the Supplemental Highway Safety Trust Agreement or to the terms and provisions contained therein or the operation thereof, to question the propriety of the execution thereof or to enjoin or restrain the Authority or the Highway Safety Trustee from executing or taking action pursuant to the same.

### **Defeasance**

When all outstanding Highway Safety Bonds, all obligations of the Authority to Financial Institutions with respect thereto and all other sums payable under the Highway Safety Trust Agreement have been paid and discharged (or provisions therefor have been made within the meaning of the Highway Safety Trust Agreement), then the Highway Safety Trust Agreement will be null and void and the obligations, covenants and agreements of the Authority and the pledge created by the Highway Safety Trust Agreement will be fully discharged and satisfied. Any Highway Safety Bonds will be deemed to have been so paid and discharged if the Highway Safety Trustee holds sufficient moneys or direct obligations of the United States of America which bear such interest as will, without further investment, when added with any moneys also deposited, be sufficient in the aggregate to pay at maturity, or upon redemption, the Bond Service Charges on the Highway Safety Bonds; provided that, with respect to the Highway Safety Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption has been duly given or provisions satisfactory to the Highway Safety Trustee have been made for the giving of such notice.

### **Non-presentment of Highway Safety Bonds**

If any Highway Safety Bond is not presented for payment when the principal thereof is due or a check or draft for interest uncashed, and if moneys sufficient to pay that principal or that check or draft shall have been made available by the Highway Safety Trustee for the benefit of the Holder or payee thereof, all liability of the State or the Authority to the Holder or payee for payment thereof will cease and be completely discharged, and it will be the duty of the Highway Safety Trustee to hold such moneys in trust, without liability for interest thereon, for the benefit of the Holder of that Highway Safety Bond, or the payee of that check or draft, who thereafter will be restricted exclusively to such moneys for any claim of whatever nature on its part under the Highway Safety Trust Agreement or on or with respect to that Highway Safety Bond or that check or draft. Moneys so held by the Highway Safety Trustee and which remain unclaimed for three years after the due date of the payment will be paid to the Treasurer and thereafter the Holder of that Highway Safety Bond or the payee of that check or draft may look only to the Treasurer for payment and then only in the amounts so received by the Treasurer without any interest thereon, and the Highway Safety Trustee will have no further responsibility with respect to such moneys.

### **Payments Due On Saturdays, Sundays and Holidays**

If any Interest Payment Date, date of maturity of the principal or date fixed for redemption of any Highway Safety Bonds is a Saturday, Sunday or a day on which (i) the Highway Safety Trustee is required, or authorized or not prohibited, by law (including without limitation executive orders) to close and is closed, then payment of Bond Service Charges need not be made by the Highway Safety Trustee or any paying agent for the Highway Safety Bonds on the applicable date, and the applicable payment may be made on the next succeeding Business Day on which the Highway Safety Trustee and the paying agent are open for business with the same force and effect as if the applicable payment were made on the applicable date, and no interest shall accrue for the period after that date, or (ii) a paying agent for the Highway Safety Bonds is required, or authorized or not prohibited, by law (including without limitation executive orders) to close and is closed, then the applicable payment need not be made by that

paying agent on the applicable date, and the applicable payment may 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 applicable payment were made on the applicable date, and no interest shall accrue for the period after that date. If, however, the Highway Safety Trustee is open for business on the applicable date, it shall make any applicable payment required under the Highway Safety Trust Agreement with respect to interest on outstanding Bonds and principal of and premium on Highway Safety Bonds presented to it for payment, regardless of whether any other paying agent for the Highway Safety Bonds shall be open for business or closed on the applicable date.

### **Highway Safety Trustee**

The Highway Safety Trustee, The Bank of New York Mellon Trust Company, N.A., as successor trustee, is a national banking association organized and existing under the laws of the United States of America, and is authorized to exercise corporate trust powers in the State. The Highway Safety Trustee has undertaken to perform such duties that are specifically set forth in the Highway Safety Trust Agreement. The Highway Safety Trustee will exercise such of the rights and powers vested in it by the Highway Safety Trust Agreement and use the same degree of care and skill in its exercise thereof as an ordinarily prudent corporate trustee under a trust agreement securing securities for a public agency, and is not obligated to take any action until it has received a satisfactory indemnity bond for its expenses and to protect it against any liability other than liability resulting from its negligence or willful default. The permissive rights of the Highway Safety Trustee to do things under the Highway Safety Trust Agreement will not be construed as a duty and the Highway Safety Trustee will not be answerable for acts or events other than its negligence or willful default.

## **THE JUVENILE CORRECTIONAL LEASE**

### **General**

The Act provides that the capital facilities financed or constructed by the Authority for State agencies shall be leased to the State agency using those capital facilities or to the DAS for the use of such State agency or other governmental entities. Accordingly, the Authority has leased the Juvenile Correctional Projects to the DYS. Under the Act, the term of any lease between the Authority and such State agency or the DAS shall be for a period not exceeding the then current two-year period for which appropriations for rental payments to the Authority have been made by the General Assembly. Provision may be made for renewals at the end of each term for another term not exceeding two years. The Act also provides that all rentals and other charges by the Authority shall be set so that its revenues are sufficient to meet its requirements, including debt service on all outstanding obligations and all other expenses of the Authority. The following summarizes certain provisions of the Juvenile Correctional Lease to which document reference is made for the detailed provisions thereof.

### **Term of the Juvenile Correctional Lease**

The Juvenile Correctional Lease has been automatically renewed for successive two-year terms and currently expires on June 30, 2011, the end of the current State fiscal biennium. The DYS has the right to renew the Juvenile Correctional Lease for successive Renewal Terms of two years each, commencing on the beginning of each State fiscal biennium (currently July 1 of each odd-numbered year), upon the same terms as are contained in the Juvenile Correctional Lease, unless sooner terminated in accordance with the Juvenile Correctional Lease and Juvenile Correctional Trust Agreement. The right of the DYS to renew the term of the Juvenile Correctional Lease shall be deemed exercised upon the effectiveness, at or prior to the expiration of the then current term of the Juvenile Correctional Lease, of legislation enacted by the General Assembly appropriating funds to the DYS at least equal to the Basic Rent (as described below) and amounts the Authority deems necessary for Additional Rent (as described below) including sums payable pursuant to the Juvenile Correctional Trust Agreement for items such as estimated administrative and overhead expenses of the Authority with respect to the Juvenile Correctional Projects, and certain other sums payable under the Juvenile Correctional Lease during the next Renewal Term. See “**THE JUVENILE CORRECTIONAL LEASE - Rental Payments and Pledges**” below.

### **Rental Payments and Pledges**

The Juvenile Correctional Lease requires the DYS to make rental payments sufficient to pay the Bond Service Charges on outstanding Juvenile Correctional Bonds, certain administrative costs of the Authority and any additional amounts required to be paid into the Juvenile Correctional Rebate Fund. The Juvenile Correctional Lease rental payments (other than those to be deposited in the Juvenile Correctional Administrative Service Fund for the payment of various administrative and operating expenses of the Authority and for deposit into the Juvenile Correctional Rebate Fund) are pledged by the Authority pursuant to the Juvenile Correctional Trust Agreement for the payment of Bond Service Charges on the Juvenile Correctional Bonds. All Juvenile Correctional Lease rental payments are required to be deposited in the Juvenile Correctional Bond Service Fund, the Juvenile Correctional Administrative Service Fund or the Juvenile Correctional Rebate Fund. See “**THE JUVENILE CORRECTIONAL TRUST AGREEMENT - Funds and Accounts.**”

During each term of the Juvenile Correctional Lease, the DYS has agreed to pay the Authority, without notice or demand, on or before each Rental Payment Date, Basic Rent that includes (i) an amount equal to the Bond Service Charges on all outstanding Juvenile Correctional Bonds, 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 Juvenile Correctional Bonds; (ii) such sums, if any, as shall be necessary to maintain any applicable required reserve in a bond service reserve account (none is provided for or required with respect to the Juvenile Correctional Series 2010 Bonds); (iii) such sums, if any, as shall be necessary to purchase any Juvenile Correctional Bonds that the Authority is obligated to purchase from any Financial Institution; and (iv) such sums, if any, as shall be necessary to make any payments that the Authority is obligated to make pursuant to any related agreement between the Authority and any Financial Institution issuing a Credit Support Instrument for one or more series of Juvenile Correctional Bonds. During each term of the Juvenile Correctional Lease, the DYS has the option to make prepayments of Basic Rent for the purchase, redemption or defeasance of any Juvenile Correctional Bonds.

During each term of the Juvenile Correctional Lease, the DYS has also agreed to pay, as Additional Rent, an amount equal to certain administrative fees, expenses and obligations, other than Bond Service Charges, incurred by the Authority and amounts required to be paid into the Juvenile Correctional Rebate Fund to the extent not available from other sources.

Except as described below under “**THE JUVENILE CORRECTIONAL LEASE - Legislative Appropriations**”, the obligation of the DYS to pay Basic Rent and Additional Rent during each two-year term of the Juvenile Correctional Lease is absolute and unconditional, and is payable without any rights of termination, set-off, recoupment, deduction, defense or counterclaim the DYS might have against the Authority, the Juvenile Correctional 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 or not the Juvenile Correctional Projects are ever acquired, constructed, installed or made ready for occupancy or are ever used or occupied by the DYS, or are available for use or occupancy by the DYS, any actions of the DYS involving the substitution of furnishings, equipment, and related property in connection with the Juvenile Correctional Projects or the alteration of or addition to the Juvenile Correctional Projects, any acts or circumstances constituting eviction or constructive eviction, failure of consideration, failure of title or frustration of purpose, or any damage to or destruction of any of the Juvenile Correctional Projects or any taking of the title to or the right of temporary use of all or any part of the Juvenile Correctional Projects by condemnation or eminent domain.

### **Project Substitutions and Alterations**

The DYS has the privilege of (i) substituting or removing furnishings, equipment and related property in connection with the Juvenile Correctional Projects, provided that such substitution or removal shall not impair the character or usefulness of the Juvenile Correctional Projects; and (ii) making changes, alterations and additions, structural or otherwise, to the Juvenile Correctional Projects, which changes, alterations and additions become a part of the Juvenile Correctional Projects. The DYS may grant at any time leases, easements, or rights of use to other persons or entities in the Juvenile Correctional Projects as may be allowed by law.

## Insurance

The Authority has no obligation to provide insurance of any kind for, or with respect to activities connected with, the Juvenile Correctional Projects or the repair of or reconstruction of all or any portion of the Juvenile Correctional Projects following any damage to or destruction of the Juvenile Correctional Projects or any portion thereof. If the DYS or others at any time provide any such insurance, the Authority will have no right or interest therein or to any proceeds therefrom.

## Legislative Appropriations

The agreement of the DYS to make rental payments pursuant to the Juvenile Correctional Lease, and to perform other obligations involving expenditures thereunder, at times and in the amounts provided for in the Juvenile Correctional Lease, is effective and binding upon the DYS only when and to the extent that moneys have been appropriated by the General Assembly and are available for that purpose. Under the Ohio Constitution, an appropriation may not be made for more than a two-year period. In addition, the Juvenile Correctional Lease may be renewed only for two-year periods. Accordingly, the DYS is obligated to make payments under the Juvenile Correctional Lease only for two-year periods, to the extent moneys have been appropriated and are available.

The Juvenile Correctional Lease requires that projected payments under the Juvenile Correctional Lease be included in the estimated budget of the DYS for the State budget estimates prepared by the Director of Budget and Management for each State fiscal biennium and submitted to the Governor for inclusion in the biennial State budget submitted by the Governor to the General Assembly. See “**THE AUTHORITY - Budgetary Process.**” The Juvenile Correctional Lease provides that, on or before the commencement of each State Fiscal Year, currently July 1 of each year, the Authority shall submit to the DYS and to the Director of Budget and Management a schedule which shall set forth the estimated amounts and dates of the rental payments due under the Juvenile Correctional Lease during that Fiscal Year and on a timely basis shall supplement or correct such schedule to reflect any changes in such rental payments. The DYS encumbers the appropriations made for the rental payments under the Juvenile Correctional Lease during that Fiscal Year as set forth in the schedule. On a timely basis prior to the date required for each such rental payment, the OBM is required to submit an order in the nature of an invoice or voucher for each rental payment to cause issuance of a warrant payable to the Authority and the Juvenile Correctional Trustee and redeemable at the office of the Treasurer in accordance with law, for all such rental payments at the times therefor and for payment in accordance with the Juvenile Correctional Trust Agreement. Such rental payments are required to be deposited for credit to the appropriate fund or account in accordance with the Juvenile Correctional Trust Agreement.

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

**The General Assembly may not make appropriations for a period longer than two years. While the Authority expects that, for each State fiscal biennium, the General Assembly will appropriate amounts to the DYS sufficient to make its rental payments to the Authority under the Juvenile Correctional 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. Section 2i of Article VIII of the Ohio Constitution and the Act provide that the Holders and Book Entry Interest Owners of the Juvenile Correctional Bonds will have no right to have excises or taxes levied by the General Assembly for the payment of Bond Service Charges thereon.**

## Remedies

In the event of a default under or termination of the Juvenile Correctional Lease, the Juvenile Correctional Lease provides that the Authority waives, relinquishes and releases any and all rights it may have of re-entry or to take or retake possession of the Juvenile Correctional Projects and agrees not to exercise any such rights.

**Consequently, the Authority does not have the remedies generally available to lessors upon default or termination and the Authority may have no practical remedy to insure that moneys are available for the payment of Bond Service Charges on the Juvenile Correctional Series 2010 Bonds.**

### **Termination**

If the DYS fails to exercise its right to renew the term of the Juvenile Correctional Lease for any Renewal Term, the Juvenile Correctional Lease will terminate at the end of the Renewal Term then in effect. In the event of such a termination of the Juvenile Correctional Lease, the obligation of DYS to make rental payments to provide moneys to pay Bond Service Charges on Juvenile Correctional Bonds would terminate. The Juvenile Correctional Lease also terminates upon payment in full of all Juvenile Correctional Bonds outstanding under the Juvenile Correctional Trust Agreement and all obligations of the Authority to Financial Institutions. Under the Act and the Juvenile Correctional Trust Agreement, the Juvenile Correctional Trustee may not take possession of, or operate, or sell the Juvenile Correctional Projects in the event of a failure to pay Basic Rent or Additional Rent under the Juvenile Correctional Lease or upon any termination of the Juvenile Correctional Lease.

### **Reinstatement**

Notwithstanding any termination of the Juvenile Correctional Lease, if (a) all payments of Bond Service Charges on the Juvenile Correctional Bonds (other than as a result of acceleration) and all other payments due under the Juvenile Correctional Trust Agreement have been made, (b) any acceleration of the Juvenile Correctional Bonds has been duly rescinded and annulled, (c) all defaults under the Juvenile Correctional Lease have been cured or waived, and (d) the General Assembly has appropriated moneys to enable the DYS to make rental payments to become due under the Juvenile Correctional Lease for any Renewal Term of the Juvenile Correctional Lease to be reinstated, then without further action by the Juvenile Correctional Trustee or the Authority, the Juvenile Correctional Lease shall be fully reinstated as if it had never been terminated.

## **THE JUVENILE CORRECTIONAL TRUST AGREEMENT**

### **General**

The following, in addition to information contained above under the headings “**THE SERIES 2010 BONDS**” and “**SECURITY FOR THE SERIES 2010 BONDS**”, summarizes certain provisions of the Juvenile Correctional Trust Agreement to which document reference is made for the detailed provisions thereof. The Juvenile Correctional Resolutions authorizing the Juvenile Correctional Series 2010 Bonds are incorporated in their entirety in, and constitute part of, the Juvenile Correctional Trust Agreement and all references herein to the Juvenile Correctional Trust Agreement shall, unless specific section references are made, include the Juvenile Correctional Resolutions.

**So long as the Juvenile Correctional Series 2010 Bonds are immobilized in a Book-Entry System with a Depository, that Depository or its nominee is for all purposes of the Juvenile Correctional Trust Agreement considered by the Authority and the Juvenile Correctional Trustee to be the Holder of those Juvenile Correctional Series 2010 Bonds and the Book Entry Interest Owners of the Juvenile Correctional Series 2010 Bonds will not be considered Holders of the Juvenile Correctional Series 2010 Bonds, and have no rights as Holders under the Juvenile Correctional Trust Agreement. See “THE SERIES 2010 BONDS - Registration, Payment and Transfer” and “BOOK-ENTRY FORM.”**

### **Security**

The Juvenile Correctional Trust Agreement provides for a pledge of the Juvenile Correctional Pledged Receipts by the Authority to the Trustee, for the benefit of the Holders of the Juvenile Correctional Bonds. See “**SECURITY FOR THE SERIES 2010 BONDS.**”

## **Funds and Accounts**

The Juvenile Correctional Trust Agreement establishes the following funds and accounts to be held by the Juvenile Correctional Trustee and used for specific purposes thereunder: the Juvenile Correctional Bond Service Fund, which includes the Juvenile Correctional Bond Service Account, and may include a bond service reserve account and a bond redemption and purchase account; the Juvenile Correctional Administrative Service Fund; and the Juvenile Correctional Rebate Fund (collectively referred to herein as the “Juvenile Correctional Funds”). In addition, the General Assembly has created the Juvenile Correctional Building Fund to be held by the Treasurer, which may include a separate account for each Juvenile Correctional Project and each series of Juvenile Correctional Bonds. See “**JUVENILE CORRECTIONAL BUILDING FUND.**” The Juvenile Correctional Building Fund, the Juvenile Correctional Administrative Service Fund and the Juvenile Correctional Rebate Fund are not pledged to the payment of Bond Service Charges on Juvenile Correctional Bonds.

**Juvenile Correctional Bond Service Account.** The Juvenile Correctional Bond Service Account has been established in the Juvenile Correctional Bond Service Fund. There will be deposited in the Juvenile Correctional Bond Service Account: (i) all rental payments and other revenues and receipts of the Authority derived under the Juvenile Correctional Lease (except the portion of such moneys to be credited to other funds and accounts); (ii) any other available Juvenile Correctional Pledged Receipts; (iii) excess moneys remaining in the Juvenile Correctional Administrative Service Fund; and (iv) all other revenues or receipts derived by the Authority from the Juvenile Correctional Projects unless previously pledged. The Juvenile Correctional Bond Service Account, except moneys transferred to the Juvenile Correctional Rebate Fund, any bond service reserve account (none is provided for or required with respect to the Juvenile Correctional Series 2010 Bonds) or any bond redemption and purchase account will be used solely for the payment of Bond Service Charges on the Juvenile Correctional Bonds as they become due or for payments due to a Financial Institution in reimbursement of payments made pursuant to a Credit Support Instrument provided in connection with the Juvenile Correctional Bonds.

**Juvenile Correctional Administrative Service Fund.** The Juvenile Correctional Administrative Service Fund will be used to pay (i) the underwriting fees and expenses and the regular and special fees and reimbursement of reasonable expenses of the Juvenile Correctional Trustee, bond registrars, paying agents, authenticating agents, tender agents, depositories, financial advisors, consultants, remarketing agents, indexing agents, attorneys, accountants and others providing services, including any Credit Support Instrument, with respect to the authorization, sale, issuance and delivery of Juvenile Correctional Bonds, and (ii) the financing charges, costs of printing, engraving, advertising and other expenses in connection with the authorization, sale, issuance and delivery of Juvenile Correctional Bonds.

Fees and expenses incurred by the Authority and payable from the Juvenile Correctional Administrative Service Fund will also be funded from Additional Rent due under the Juvenile Correctional Lease and paid into the Juvenile Correctional Administrative Service Fund. Any excess in the Juvenile Correctional Administrative Service Fund is required to be transferred to the Juvenile Correctional Bond Service Account.

**Juvenile Correctional Rebate Fund.** Pursuant to the Juvenile Correctional Trust Agreement, there has been created by the Authority and ordered to be maintained in the custody of the Juvenile Correctional Trustee as a separate deposit account, a Juvenile Correctional Rebate Fund in which the Authority may establish separate rebate accounts for each series of Juvenile Correctional Bonds, including the Juvenile Correctional Series 2010 Bonds. The Thirteenth Supplemental Juvenile Correctional Trust Agreement establishes the Juvenile Correctional Series 2010 A Rebate Account for the Juvenile Correctional Series 2010 A Bonds, Juvenile Correctional Series 2010 B Rebate Account for the Juvenile Correctional Series 2010 B Bonds and Juvenile Correctional Series 2010 C Rebate Account for the Juvenile Correctional Series 2010 C Bonds in the Juvenile Correctional Rebate Fund to comply with the provisions of Section 148(f) of the Code. The amounts on deposit in the Juvenile Correctional Rebate Fund are not pledged to the Holders of Juvenile Correctional Bonds or any Financial Institution as security for the payment of Bond Service Charges on the Juvenile Correctional Bonds or obligations due to any Financial Institution, are not Juvenile Correctional Pledged Receipts, and are not subject to the pledge and assignment created by the Juvenile Correctional Trust Agreement.

At the times and in the manner required by the Code, (a) the Authority or a firm of independent certified public accountants or a firm of nationally recognized bond counsel engaged by the Authority or the Juvenile

Correctional Trustee, will calculate the amount payable to the Juvenile Correctional Rebate Fund; (b) the Treasurer, on behalf of the Authority, will transfer amounts in the Juvenile Correctional Rebate Fund from the Juvenile Correctional Building Fund, or, if necessary, the Authority will provide for such amounts from additional rentals pursuant to the Juvenile Correctional Lease in accordance with law or from the Juvenile Correctional Administrative Service Fund; and (c) the Trustee will pay amounts in the Juvenile Correctional Rebate Fund to the United States of America.

Special Subaccounts. If and to the extent provided in any Juvenile Correctional Series Resolution, the Authority may, pursuant to that Juvenile Correctional Series Resolution, create special subaccounts in the Juvenile Correctional Bond Service Fund or the Juvenile Correctional Rebate Fund, with reference to the Additional Juvenile Correctional Bonds authorized by that Juvenile Correctional Series Resolution, and make special provisions, among others, for any proceeds of those Additional Juvenile Correctional Bonds allocated by the Juvenile Correctional Series Resolution to capitalized interest or to funding a bond service reserve account for such Additional Juvenile Correctional Bonds, and for any Juvenile Correctional Pledged Receipts (other than rental payments and other revenues and receipts of the Authority under the Juvenile Correctional Lease, and income from the investment of special funds and any other Juvenile Correctional Pledged Receipts pledged to all Juvenile Correctional Bonds) pledged exclusively to those Additional Juvenile Correctional Bonds by the applicable Supplemental Juvenile Correctional Trust Agreement, to be deposited to the credit of such special subaccounts, and for the holding, investing and disposition of any moneys credited to those subaccounts in accordance with that Juvenile Correctional Series Resolution and for the primary or exclusive benefit of the Additional Juvenile Correctional Bonds authorized by or referred to in that Juvenile Correctional Series Resolution. If moneys credited to such subaccounts and income from the investment of those moneys are so restricted, then the amounts credited to such subaccounts and to be derived from those investments, to the extent so restricted, shall not be deemed to be available for Bond Service Charges on other Juvenile Correctional Bonds in determining the sufficiency of the Juvenile Correctional Bond Service Account or any bond service reserve account applicable to the other Juvenile Correctional Bonds under the provisions of the Juvenile Correctional General Bond Resolution and the applicable Juvenile Correctional Series Resolution.

### **Investment of Certain Funds**

Moneys in the Juvenile Correctional Building Fund will be invested in accordance with State law. Moneys held in the Juvenile Correctional Bond Service Fund, the Juvenile Correctional Administrative Service Fund and the Juvenile Correctional Rebate Fund may be invested and reinvested by the Juvenile Correctional Trustee in accordance with the instructions of the Authority in any Eligible Investments. Investments of moneys credited to those Juvenile Correctional Funds will mature or be redeemable at the option of the holder thereof at the times and in the amounts necessary to provide moneys when needed for payments to be made from those Juvenile Correctional Funds, and moneys held in the Juvenile Correctional Bond Service Fund will be available to pay Bond Service Charges on the Juvenile Correctional Bonds when they become due. Any investment of moneys in any Juvenile Correctional Fund will be deemed at all times a part of that Juvenile Correctional Fund and any income will be credited and any loss will be charged to that Juvenile Correctional Fund. Investments will be valued at the lesser of face or market value on a quarterly basis, or more frequently as determined by the Authority, to evaluate the adequacy of amounts in the Juvenile Correctional Bond Service Account or any bond service reserve account and excess amounts in any other accounts. The Authority will be entitled to rely on books of record and accounts maintained by the Director of Budget and Management with respect to all transactions relating to the Juvenile Correctional Building Fund.

### **Additional Juvenile Correctional Bonds**

One or more series of Additional Juvenile Correctional Bonds may be issued under the Juvenile Correctional Trust Agreement for the purpose of paying additional costs of the Juvenile Correctional Projects, for the purpose of acquiring, constructing, reconstructing, rehabilitating, remodeling, renovating, enlarging, improving, altering, equipping and furnishing the Juvenile Correctional Projects, including the sites thereof, which are Capital Facilities, for the use of the DYS and other governmental entities as authorized by the General Assembly (in an amount, for all such Juvenile Correctional Projects, not in excess of the project costs as authorized by the General Assembly) and for the purpose of refunding certain obligations issued under the Act. Such Additional Juvenile Correctional Bonds will be on a parity with the Juvenile Correctional Bonds outstanding under the Juvenile

Correctional Trust Agreement, except as to bond service reserve accounts or Credit Support Instruments, if any, applicable only to certain series of such outstanding Juvenile Correctional Bonds.

The issuance of Additional Juvenile Correctional Bonds under the Juvenile Correctional Trust Agreement is also subject to the following conditions, among others: (i) the Authority is not in default of any covenants or obligations of the Authority contained in the Juvenile Correctional Trust Agreement or in the Juvenile Correctional Bonds and the authentication and delivery of the Additional Juvenile Correctional Bonds will not result in any such default; (ii) the principal amount of the Additional Juvenile Correctional Bonds and of other Juvenile Correctional Bonds then issued or outstanding and of any notes or other obligations then issued or outstanding (other than such notes or other obligations to be, and only to the extent to be, funded or refunded by such Additional Juvenile Correctional Bonds then being issued), will not exceed in the aggregate the principal amount of obligations which may be issued or outstanding under then existing authorizations of the General Assembly and the provisions of the Act; (iii) upon the issuance and delivery of such Additional Juvenile Correctional Bonds, the amount in any bond service reserve account for such Additional Juvenile Correctional Bonds shall not be less than the applicable required reserve, if any; (iv) any necessary Supplemental Juvenile Correctional Lease will have been executed and delivered providing for rental payments sufficient to pay the Bond Service Charges and other expenses with respect to such Additional Juvenile Correctional Bonds and appropriations have been made by the General Assembly for the then current fiscal biennium in an amount estimated to be sufficient to pay the Bond Service Charges and other costs related to such Additional Juvenile Correctional Bonds during such biennium; (v) the certificate of the Director of Budget and Management confirming that amounts sufficient to pay currently estimated rental payments under the Juvenile Correctional Lease have been appropriated and that amounts in subsequent biennia have been requested, when appropriate; and (vi) the Trustee has received (a) a copy, certified by the Secretary-Treasurer or other authorized officer of the Authority, of the Juvenile Correctional Series Resolution authorizing the issuance and delivery of the Additional Juvenile Correctional Bonds to be authenticated and delivered, adopted in conformity with the Juvenile Correctional General Bond Resolution and containing the findings required by the Juvenile Correctional General Bond Resolution to be set forth in that Juvenile Correctional Series Resolution; (b) an original executed counterpart of the Supplemental Juvenile Correctional Trust Agreement entered into in connection with the issuance of those Additional Juvenile Correctional Bonds; (c) an original executed counterpart of any Supplemental Juvenile Correctional Lease entered into in connection with the issuance of those Additional Juvenile Correctional Bonds; (d) a request and authorization to the Juvenile Correctional Trustee on behalf of the Authority, signed by an authorized officer of the Authority, to authenticate and deliver the Additional Juvenile Correctional Bonds to, or on the order of, the original purchaser thereof who is therein identified, upon payment of a sum specified in that request and authorization; (e) the certificate of an authorized officer of the Authority as to items (i), (ii), (iii), (iv) and (v) above; (f) the written opinion of legal counsel retained or designated by the Authority, or other legal counsel satisfactory to the Juvenile Correctional Trustee, to the effect that documents submitted to the Juvenile Correctional Trustee in connection with the application then being made comply with the requirements of the Juvenile Correctional Trust Agreement, and that in that counsel's opinion all conditions precedent to the issuance of those Additional Juvenile Correctional Bonds as provided in the Juvenile Correctional Trust Agreement have been complied with, and a written opinion of bond counsel retained or designated by the Authority who may also be the legal counsel referred to above, that the Additional Juvenile Correctional Bonds the authentication of which is applied for, when duly executed, authenticated and delivered by or on behalf of the Juvenile Correctional Trustee, will be valid and legal obligations of the State, issued by the Authority, in accordance with their terms and will be secured by the Juvenile Correctional Trust Agreement with all Juvenile Correctional Bonds then outstanding; and (g) a certificate of an authorized officer or the DYS Director confirming that amounts sufficient to support all rentals estimated to be due under the Juvenile Correctional Lease for the then current fiscal biennium have been appropriated to the DYS for the payment of such rentals and that, to the extent that budget requests have been made for then next succeeding fiscal biennium amounts sufficient to support all rentals estimated to be due under the Juvenile Correctional Lease for such biennium have been requested.

### **Further Covenants**

Certain other covenants of the Authority contained in the Juvenile Correctional Trust Agreement are as follows:

**Maintenance of Juvenile Correctional Lease and Certain Other Agreements.** The Authority covenants in the Juvenile Correctional Trust Agreement to take all necessary and lawful actions to comply with its obligations,

duties and responsibilities under the Juvenile Correctional Lease or any agreements, the revenues or receipts from which constitute Juvenile Correctional Pledged Receipts, and will take all actions within its authority to maintain the Juvenile Correctional Lease and any such agreement in effect and to enforce the rights of the Authority thereunder in accordance with the terms thereof, including actions at law and in equity, as may be appropriate.

The Authority covenants in the Juvenile Correctional Trust Agreement to provide for rental payments in sufficient and appropriate amounts to pay when due (i) all Bond Service Charges on the Juvenile Correctional Bonds from the Juvenile Correctional Bond Service Account or for the payment of any amounts due as reimbursement of draws on a letter of credit to a Financial Institution providing a letter of credit with respect to a series of Juvenile Correctional Bonds, (ii) all operating expenses from the Juvenile Correctional Administrative Service Fund, (iii) all amounts necessary to maintain a required reserve, if any, in any applicable bond service reserve account, and (iv) all amounts in the Juvenile Correctional Rebate Fund to be paid to the United States of America which are not otherwise available in one of the funds or accounts created pursuant to or described in the Juvenile Correctional Trust Agreement. The Authority covenants not to amend, modify, alter, change or waive any term or provision of the Juvenile Correctional Lease if such action would have the effect of (a) reducing the rental payments payable thereunder to amounts less than described in the preceding sentence or changing the times and manner of payment thereof so that such rental payments would not be available when needed for payments to be made from the Juvenile Correctional Funds established by the Juvenile Correctional Trust Agreement, (b) surrendering or limiting any remedies of the Authority under the Juvenile Correctional Trust Agreement (including the rights of the Authority to terminate the Juvenile Correctional Lease) or (c) being adverse to the interest of the Holders of the Juvenile Correctional Bonds or any applicable Financial Institutions.

Creation of Liens. The Authority covenants in the Juvenile Correctional Trust Agreement not to make any pledge or assignment of or create or suffer any lien or encumbrance upon the Juvenile Correctional Bond Service Fund or the Juvenile Correctional Pledged Receipts prior to or on a parity with the pledge thereof under the Juvenile Correctional Trust Agreement, except as otherwise authorized or permitted under the Juvenile Correctional Trust Agreement, and, in the case of a bond service reserve account, under the applicable Juvenile Correctional Series Resolution. The Juvenile Correctional Projects are not and may not be pledged by the Authority.

Enforcement by Mandamus. The Authority has acknowledged that each provision of the Juvenile Correctional Trust Agreement, the Juvenile Correctional Bonds, the Juvenile Correctional Lease, and all other agreements included in the proceedings relating to the Juvenile Correctional Bonds, are binding upon the Authority, the DYS, and any other State agency or other Person or body as may from time to time have authority under law to take such actions as may be necessary to perform all or any part of the duty required by such provision, and that each duty of the Authority, the DYS or other State agency and their respective officers, members and employees undertaken or required pursuant thereto is established as a duty of the Authority and of each such member, officer, and employee having authority to perform such duty specifically enjoined by law resulting from an office, trust or station within the meaning of Section 2731.01 of the Ohio Revised Code providing for enforcement by writ of mandamus.

Certain Reports. The Authority will annually file with the Juvenile Correctional Trustee and the Director of Budget and Management: (i) a report, certified by a firm of certified public accountants, setting forth financial statements which present fairly the financial position of the Authority as of the end of the preceding Fiscal Year and the results of the operations and the cash flows of its internal service fund for the Fiscal Year then ended, all in conformity with generally accepted accounting principles (except as noted in such certificate); and (ii) a certificate of such accountants stating that such accountants have examined such report in accordance with generally accepted auditing procedures as such accountants considered necessary in the circumstances, that their examination of such report has included a review of the terms of the Juvenile Correctional Trust Agreement as they relate to matters susceptible of accounting determinations and that such review is sufficient to enable them to give such certificate and stating whether or not such examination has disclosed the existence, at the end of the Fiscal Year covered by such report (and existing at the date of such certificate), of any Event of Default under the Juvenile Correctional Trust Agreement or any other event which, after notice or lapse of time or both, would become an Event of Default and, if such examination had disclosed such an Event of Default or such an event, specifying the same and the nature and status thereof. See “**THE JUVENILE CORRECTIONAL TRUST AGREEMENT - Events of Default and Remedies**” below.

The Authority will annually submit to the Director of Budget and Management and the DYS a written report confirmed by the Juvenile Correctional Trustee setting forth the estimated amount of rent to become due under the Juvenile Correctional Lease during the current Fiscal Year and the ensuing two Fiscal Years. Upon any determination by the Authority that a different amount than last reported will be required, the Authority will submit a revised written report superseding the next prior report.

On or before the forty-fifth day preceding each Interest Payment Date with respect to Juvenile Correctional Bonds, the Juvenile Correctional Trustee will submit to the Authority, the Director of Budget and Management and the DYS a written certificate setting forth (i) the net interest earned and deposited into the Juvenile Correctional Bond Service Account and not reflected on any previous similar certificate and any net interest to be earned and credited to the Juvenile Correctional Bond Service Account prior to the next applicable Interest Payment Date; (ii) any moneys deposited into the Juvenile Correctional Bond Service Account from any bond service reserve account as a result of excess moneys being in such bond service reserve account and not reflected on any previous certificate and any moneys to be so deposited in the Juvenile Correctional Bond Service Account prior to such Interest Payment Date; (iii) any moneys deposited into the Juvenile Correctional Bond Service Account from the Juvenile Correctional Rebate Fund and not reflected on any previous certificate and any moneys to be so deposited in the Juvenile Correctional Bond Service Account prior to such Interest Payment Date; and (iv) any moneys remaining in the Juvenile Correctional Administrative Service Fund on the date of such certificate which moneys are to be deposited immediately into the Juvenile Correctional Bond Service Account. Such amounts shown on such certificate shall be a credit against the next rental payment due under the Juvenile Correctional Lease.

### **Events of Default and Remedies**

Events of Default. The following events constitute Events of Default under the Juvenile Correctional Trust Agreement:

- (i) Default by the Authority in the payment of any interest on any Juvenile Correctional Bond when due and payable; or
- (ii) Default by the Authority in the payment of the principal of or any redemption premium on any Juvenile Correctional Bond when due and payable, whether at stated maturity, by mandatory redemption or by mandatory purchase; or
- (iii) Any other default by the Authority to perform or observe any other covenants, agreements or conditions on its part contained in the Juvenile Correctional Trust Agreement or the Juvenile Correctional Bonds and continuance of such default for 60 days after written notice thereof from the Juvenile Correctional Trustee or the Holders of not less than 25% in aggregate principal amount of the affected Juvenile Correctional Bonds then outstanding.

If an Event of Default occurs, the Juvenile Correctional Trustee will give notice to the Authority and any applicable Financial Institution within five days of receipt of actual knowledge and to the applicable original purchasers, Holders, tender agents, paying agents, bond registrars and authenticating agents within 90 days after having knowledge, unless the Event of Default is cured or, in the case of an Event of Default under clause (iii) above, the Juvenile Correctional Trustee determines that withholding notice is in the best interest of the Holders of the Juvenile Correctional Bonds.

Remedies. If an Event of Default described in clauses (i) or (ii) above occurs and is not remedied, the Juvenile Correctional Trustee shall proceed to protect and enforce its rights and the rights of the Holders of the Juvenile Correctional Bonds, which includes the right to declare the principal of all Juvenile Correctional Bonds and interest accrued thereon to be immediately due and payable. At any time after that declaration, and prior to the entry of judgment in a court for enforcement or the appointment of a receiver under the Juvenile Correctional Trust Agreement, such declaration of acceleration is subject to rescission and annulment by the Juvenile Correctional Trustee if all sums payable under the Juvenile Correctional Trust Agreement (except the principal and interest on Juvenile Correctional Bonds which have not reached their stated maturity dates and which are due and payable solely by reason of that declaration of acceleration), plus interest (to the extent permitted by law) on any overdue

installments of interest have been paid or provided for by deposit with the Juvenile Correctional Trustee or paying agents for the Juvenile Correctional Bonds, and all existing Events of Default have been cured.

If an Event of Default occurs under the Juvenile Correctional Trust Agreement and is not remedied, the Juvenile Correctional Trustee may, as an alternative or in addition to acceleration of the Juvenile Correctional Bonds, enforce the rights of the Holders of the Juvenile Correctional Bonds by mandamus or other suit, action or proceeding at law or in equity, bring suit upon the Juvenile Correctional Bonds, enjoin unlawful activities or activities in violation of the rights of Holders or Financial Institutions under the Juvenile Correctional Trust Agreement or, in the case of an Event of Default described in clause (i) or (ii) above, apply to a court to appoint a receiver of the Juvenile Correctional Pledged Receipts. If an Event of Default described in clause (iii) above occurs and is not remedied, and if requested by the Holders of at least 25% in aggregate principal amount of the affected Juvenile Correctional Bonds then outstanding or a Financial Institution providing a Credit Support Instrument with respect to the affected Juvenile Correctional Bonds and indemnified as provided in the Juvenile Correctional Trust Agreement, the Juvenile Correctional Trustee will exercise such one or more rights and powers conferred by the Juvenile Correctional Trust Agreement as the Juvenile Correctional Trustee, being advised by counsel, shall consider most effective to protect and enforce those rights.

The Juvenile Correctional Trustee is not required to take notice, or deemed to have notice or knowledge, of any default under the Juvenile Correctional Trust Agreement, except Events of Default described in clauses (i) and (ii) above, unless the Juvenile Correctional Trustee is specifically notified in writing of such default by the Authority or by the Holders of at least 10% of the aggregate principal amount of Juvenile Correctional Bonds then outstanding or a Financial Institution providing a Credit Support Instrument with respect to the affected Juvenile Correctional Bonds, and in the absence of such notice so delivered, the Juvenile Correctional Trustee may conclusively assume there is no Event of Default except as described above.

As discussed above, the Juvenile Correctional Trust Agreement provides for the appointment of a receiver to recover and administer the Juvenile Correctional Pledged Receipts upon the occurrence of certain Events of Default, but the right to a receiver under Ohio law is discretionary with the court as equitable principles may dictate. The appointment of a receiver, accordingly, may not be available as a remedy for the Juvenile Correctional Trustee or the Holders of the Juvenile Correctional Bonds. Moreover, the Act withholds from any receiver the power to pledge additional revenues or income of the Authority to the payment of the Bond Service Charges on the Juvenile Correctional Bonds and excludes the power to take possession of, mortgage, or cause the sale or other disposition of any Juvenile Correctional Project.

All moneys held or received by the Authority, the Juvenile Correctional Trustee or the receiver after an Event of Default occurs, after the payment of the costs and expenses incurred in the collection thereof and the fees, expenses, liabilities and advances of the Juvenile Correctional Trustee or the receiver, shall be applied as follows: (i) unless the principal of all the Juvenile Correctional Bonds has become or been declared due and payable, (a) first, to the payment of all installments of interest then due on the Juvenile Correctional Bonds (or the reimbursement of Financial Institutions for such interest payments made pursuant to Credit Support Instruments), in the order of the maturity of the installments of such interest and, if the amount available is not sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or privilege except as to any difference in the respective rates of interest specified in the Juvenile Correctional Bonds; (b) next, to the payment of unpaid principal of any of the Juvenile Correctional Bonds (or the reimbursement of Financial Institutions for such principal payments made pursuant to Credit Support Instruments) which have become due (other than Juvenile Correctional Bonds previously called for redemption for the payment of which moneys are held pursuant to the provisions of the Juvenile Correctional Trust Agreement), whether at stated maturity, by redemption or pursuant to any mandatory sinking fund requirements, in the order of their due dates, with interest, and if the amount is insufficient to pay in full all Juvenile Correctional Bonds (and reimburse in full Financial Institutions for such principal payments made pursuant to Credit Support Instruments), then to the payment ratably according to the amount of principal due on that date to the persons entitled thereto, without discrimination or privilege; and (c) finally, to the payment of all other obligations of the Authority to Financial Institutions; or (ii) if the principal of all of the Juvenile Correctional Bonds has become or been declared due and payable, to the payment of principal and interest then due and unpaid upon the Juvenile Correctional Bonds (and reimbursement of Financial Institutions for such principal and interest payments made pursuant to Credit Support Instruments), without preference or priority of principal over interest or of interest over

principal, or any installment of interest over any other installment of interest, or of any Juvenile Correctional Bond over any other Juvenile Correctional Bond, ratably, according to the amounts due respectively for principal and interest to the persons entitled thereto without any discrimination or privilege (except as to any difference in the respective rates of interest specified in the Juvenile Correctional Bonds) and then to the payment of all other obligations of the Authority to Financial Institutions; or (iii) if the principal of all the Juvenile Correctional Bonds has been declared due and payable, and if such declaration shall thereafter have been rescinded and annulled as provided in the Juvenile Correctional Trust Agreement then, subject to clause (ii) of this paragraph in the event that the principal of all such Juvenile Correctional Bonds shall later become due and payable, the moneys shall be deposited in the Juvenile Correctional Bond Service Account and applied in accordance with the provisions of the Juvenile Correctional Resolutions. Whenever moneys are to be applied as described above, those moneys are to be applied at the times the Juvenile Correctional Trustee determines, having due regard to the amount of those moneys available for application and the likelihood of additional moneys becoming available for application in the future.

Whenever the Juvenile Correctional Trustee directs the application of those moneys, the Juvenile Correctional Trustee is required to fix the date (which must be an Interest Payment Date with respect to the Juvenile Correctional Bonds unless the Juvenile Correctional Trustee deems another date more suitable) upon which the application is to be made and upon that date interest on the amounts of principal to be paid on that date, and for which moneys are available, will cease to accrue. The Juvenile Correctional Trustee is required to give notice as it deems appropriate of the deposit of any such moneys and of the fixing of any such date, all consistent with the requirements of the Juvenile Correctional Resolutions for the establishment of, and for giving notice of, a special record date for the payment of overdue interest. The Juvenile Correctional Trustee is not required to direct payment of principal or premium to the Holder of any Juvenile Correctional Bond until that Bond is presented to the Juvenile Correctional Trustee for appropriate notation of partial payment or for cancellation if fully paid.

No Holder of any Juvenile Correctional Bond has any right to institute any suit, action or proceeding for the enforcement of any provision of the Juvenile Correctional Trust Agreement or for the execution of any trust thereof or for the appointment of a receiver or any other remedy thereunder unless (i) an Event of Default under the Juvenile Correctional Trust Agreement has occurred and is continuing; (ii) that Holder has previously given to the Juvenile Correctional Trustee written notice of the Event of Default; (iii) the Holders of at least 25% in aggregate principal amount of the Juvenile Correctional Bonds then outstanding have filed a written request with the Juvenile Correctional Trustee and have afforded the Juvenile Correctional Trustee reasonable opportunity either to proceed to exercise its powers or to institute such action, suit or proceeding in its own name; (iv) such Holders have offered the Juvenile Correctional Trustee adequate indemnity as provided in the Juvenile Correctional Trust Agreement; and (v) the Juvenile Correctional Trustee has failed or refused to comply with such request after receipt by it of such notice, request and offer of indemnity. No one or more Holders of any Juvenile Correctional Bonds have any right in any manner whatsoever to affect, disturb or prejudice the pledge created by the Juvenile Correctional Trust Agreement or to enforce any right thereunder except in the manner therein provided, and all actions, suits and proceedings shall be instituted and maintained in the manner therein provided and for equal benefit of the Holders of all outstanding Juvenile Correctional Bonds.

Notwithstanding the foregoing, the Holders of not less than a majority in aggregate principal amount of the outstanding Juvenile Correctional Bonds have the right with the consent of each Financial Institution not then in default on its obligations with respect to the Juvenile Correctional Bonds, at any time, by an executed instrument delivered to the Juvenile Correctional Trustee, to direct all proceedings to be taken in connection with the enforcement of the Juvenile Correctional Trust Agreement or for the appointment of a receiver, provided that such direction must be in accordance with the law and the Juvenile Correctional Trust Agreement, and provided that such Holders have offered to the Juvenile Correctional Trustee indemnity as provided in the Juvenile Correctional Trust Agreement. No Financial Institution will have rights with respect to the enforcement of remedies against itself.

### **Waiver of Events of Default**

Except as may otherwise be provided in any Supplemental Juvenile Correctional Trust Agreement, at any time the Juvenile Correctional Trustee may in its discretion, with the prior written consent of any Financial Institution providing a Credit Support Instrument in connection with affected Juvenile Correctional Bonds and not then in default on its obligations with respect to such Juvenile Correctional Bonds, waive any Event of Default under the Juvenile Correctional Trust Agreement and its consequences and rescind any declaration of maturity of

principal, and the Juvenile Correctional Trustee must waive any Event of Default or rescind any declaration of maturity of principal upon the written request of the Holders of at least a majority in aggregate principal amount of all of the outstanding Juvenile Correctional Bonds and with the consent of each Financial Institution providing a Credit Support Instrument in connection with the affected Juvenile Correctional Bonds. The Juvenile Correctional Trustee will not however, waive or rescind any Event of Default resulting from a failure to pay Bond Service Charges on the Juvenile Correctional Bonds when due or rescind any declaration of maturity in connection therewith unless at the time of the waiver or rescission payment of all overdue installments of interest and principal, not including principal and interest due solely by virtue of acceleration, has been made or provided.

### **Supplemental Juvenile Correctional Trust Agreements**

Without the consent of or notice to the Holders of the Juvenile Correctional Bonds, the Authority and the Juvenile Correctional Trustee may enter into Supplemental Juvenile Correctional Trust Agreements for any one or more of the following purposes: (i) to cure any ambiguity, inconsistency or formal defect or omission in the Juvenile Correctional Trust Agreement; (ii) to grant or to confer upon the Juvenile Correctional Trustee additional rights, remedies, powers or authority that lawfully may be granted to or conferred upon the Holders of the Juvenile Correctional Bonds or any Financial Institution (to the extent not contrary to the interests of Holders of Juvenile Correctional Bonds) or the Juvenile Correctional Trustee; (iii) to subject additional revenues or receipts to the pledge of the Juvenile Correctional Trust Agreement; (iv) to add to the covenants and agreements of the Authority contained in the Juvenile Correctional Trust Agreement other covenants and agreements to be observed for the protection of the Holders of the Juvenile Correctional Bonds or Financial Institutions (to the extent not contrary to the interests of Holders of Juvenile Correctional Bonds) or to surrender or limit any right, power or authority reserved to or conferred upon the Authority in the Juvenile Correctional Trust Agreement; (v) to evidence any succession to the Authority and the assumption by such successor of the covenants and agreements of the Authority in the Juvenile Correctional Trust Agreement and the Juvenile Correctional Bonds; (vi) in connection with the issuance of Additional Juvenile Correctional Bonds in accordance with the Juvenile Correctional Trust Agreement; (vii) to permit the exchange of Juvenile Correctional Bonds at the option of the Holder for coupon Juvenile Correctional Bonds in accordance with the Juvenile Correctional Trust Agreement if, in the opinion of nationally recognized bond counsel selected by the Authority, that exchange would not result in the interest on any of the tax-exempt Juvenile Correctional Bonds outstanding becoming subject to federal income taxation; (viii) to permit the use of a Book-Entry System to identify the owner of an interest in a Juvenile Correctional Bond; (ix) to permit the Juvenile Correctional Trustee to comply with any obligations imposed by law; (x) to specify further the duties and responsibilities of, and to define further the relationship among, the Juvenile Correctional Trustee and any bond registrar, authenticating agent or paying agent for the Juvenile Correctional Bonds; (xi) to achieve compliance with any applicable federal securities or tax law; (xii) as permitted by the Juvenile Correctional Trust Agreement in connection with providing for compliance with the rebate requirements of Section 148(f) of the Code; (xiii) to permit or provide for Interest Rate Hedges with respect to obligations issued under the Juvenile Correctional Trust Agreement; and (xiv) to permit any other amendment that is, in the judgment of the Juvenile Correctional Trustee, not prejudicial to the Juvenile Correctional Trustee or the Holders of the Juvenile Correctional Bonds.

In addition, with the consent of the Holders of not less than a majority in aggregate principal amount of the Juvenile Correctional Bonds then outstanding (exclusive of Juvenile Correctional Bonds then held or owned by the Authority), the Juvenile Correctional Trustee and the Authority may enter into other Supplemental Juvenile Correctional Trust Agreements for the purpose of modifying, altering, amending, adding to or rescinding any of the terms or provisions thereof, provided that no Supplemental Juvenile Correctional Trust Agreement may be entered into which provides for (i) an extension of the maturity of the principal of or the interest on any Juvenile Correctional Bond or a reduction in the principal amount of any Juvenile Correctional Bond or the rate of interest or redemption premium on any Juvenile Correctional Bond or reduction in the amount or extension of time of any payment required by any mandatory sinking fund requirement relating to the Juvenile Correctional Bonds, without the consent of the Holder of each Juvenile Correctional Bond so affected, or (ii) a reduction in the aggregate principal amount of the Juvenile Correctional Bonds required for consent to such Supplemental Juvenile Correctional Trust Agreement without the consent of the Holders of all Juvenile Correctional Bonds then outstanding.

Where the consent of the Holders of Juvenile Correctional Bonds is required, procedures are established in the Juvenile Correctional Trust Agreement for notice to the Holders and for the execution and filing of the requisite

consents. Any consent is binding upon the Holders of the Juvenile Correctional Bonds giving such consent and upon any subsequent Holders of such Juvenile Correctional Bonds unless such consent is revoked in writing prior to the execution by the Juvenile Correctional Trustee of the Supplemental Juvenile Correctional Trust Agreement. If the Holders of the required percentage in aggregate principal amount of the Juvenile Correctional Bonds then outstanding have consented to the execution of a Supplemental Juvenile Correctional Trust Agreement as provided in the Juvenile Correctional Trust Agreement, no Holder of any Juvenile Correctional Bond has any right to object to the execution of the Supplemental Juvenile Correctional Trust Agreement or to the terms and provisions contained therein or the operation thereof, to question the propriety of the execution thereof or to enjoin or restrain the Authority or the Juvenile Correctional Trustee from executing or taking action pursuant to the same.

### **Defeasance**

When all outstanding Juvenile Correctional Bonds, all obligations of the Authority to Financial Institutions with respect thereto and all other sums payable under the Juvenile Correctional Trust Agreement have been paid and discharged (or provisions therefor have been made within the meaning of the Juvenile Correctional Trust Agreement), then the Juvenile Correctional Trust Agreement will be null and void and the obligations, covenants and agreements of the Authority and the pledge created by the Juvenile Correctional Trust Agreement will be fully discharged and satisfied. Any Juvenile Correctional Bonds will be deemed to have been so paid and discharged if the Juvenile Correctional Trustee holds sufficient moneys or direct obligations of the United States of America which bear such interest as will, without further investment, when added with any moneys also deposited, be sufficient in the aggregate to pay at maturity, or upon redemption, the Bond Service Charges on the Juvenile Correctional Bonds; provided that, with respect to the Juvenile Correctional Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption has been duly given or provisions satisfactory to the Juvenile Correctional Trustee have been made for the giving of such notice.

### **Non-Presentation of Juvenile Correctional Bonds**

If any Juvenile Correctional Bond is not presented for payment when the principal thereof is due or a check or draft for interest uncashed, and if moneys sufficient to pay that principal or that check or draft shall have been made available by the Juvenile Correctional Trustee for the benefit of the Holder or payee thereof, all liability of the State or the Authority to the Holder or payee for payment thereof will cease and be completely discharged, and it will be the duty of the Juvenile Correctional Trustee to hold such moneys in trust, without liability for interest thereon, for the benefit of the Holder of that Juvenile Correctional Bond, or the payee of that check or draft, who thereafter will be restricted exclusively to such moneys for any claim of whatever nature on its part under the Juvenile Correctional Trust Agreement or on or with respect to that Juvenile Correctional Bond or that check or draft. Moneys so held by the Juvenile Correctional Trustee and which remain unclaimed for three years after the due date of the payment will be paid to the Treasurer and thereafter the Holder of that Juvenile Correctional Bond or the payee of that check or draft may look only to the Treasurer for payment and then only in the amounts so received by the Treasurer without any interest thereon, and the Juvenile Correctional Trustee will have no further responsibility with respect to such moneys.

### **Payments Due On Saturdays, Sundays and Holidays**

If any Interest Payment Date, date of maturity of the principal or date fixed for redemption of any Juvenile Correctional Bonds is a Saturday, Sunday or a day on which (i) the Juvenile Correctional Trustee is required, or authorized or not prohibited, by law (including without limitation executive orders) to close and is closed, then payment of Bond Service Charges need not be made by the Juvenile Correctional Trustee or any paying agent for the Juvenile Correctional Bonds on the date, and the payment may be made on the next succeeding Business Day on which the Juvenile Correctional Trustee and the paying agent are open for business with the same force and effect as if the applicable payment were made on the applicable date, and no interest shall accrue for the period after that date, or (ii) a paying agent for the Juvenile Correctional Bonds is required, or authorized or not prohibited, by law (including without limitation executive orders) to close and is closed, then the applicable payment need not be made by that paying agent on the applicable date, and the applicable payment may 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 applicable payment were made on the applicable date, and no interest shall accrue for the period after that date. If, however, the Juvenile Correctional Trustee is open for business on the applicable date, it shall make any applicable payment

required under the Juvenile Correctional Trust Agreement with respect to interest on outstanding Juvenile Correctional Bonds and principal of and premium on Juvenile Correctional Bonds presented to it for payment, regardless of whether any other paying agent for the Juvenile Correctional Bonds shall be open for business or closed on the applicable date.

### **Juvenile Correctional Trustee**

The Juvenile Correctional Trustee, The Bank of New York Mellon Trust Company, N.A., as successor trustee, is a national banking association organized and existing under the laws of the United States of America, and is authorized to exercise corporate trust powers in the State. The Juvenile Correctional Trustee has undertaken to perform such duties that are specifically set forth in the Juvenile Correctional Trust Agreement. The Juvenile Correctional Trustee will exercise such of the rights and powers vested in it by the Juvenile Correctional Trust Agreement and use the same degree of care and skill in its exercise thereof as an ordinarily prudent corporate trustee under a trust agreement securing securities for a public agency, and is not obligated to take any action until it has received a satisfactory indemnity bond for its expenses and to protect it against any liability other than liability resulting from its negligence or willful default. The permissive rights of the Juvenile Correctional Trustee to do things under the Juvenile Correctional Trust Agreement will not be construed as a duty and the Juvenile Correctional Trustee will not be answerable for acts or events other than its negligence or willful default.

### **LITIGATION**

The Authority, the DAS, the DPS, the DYS and the State are parties to various legal proceedings, seeking damages or injunctive or other relief, generally related to their respective operations but unrelated to the Series 2010 Bonds or the security for the Series 2010 Bonds. Though the ultimate disposition of such proceedings is not currently determinable, the Attorney General of the State will deliver opinions that none of such proceedings involve, or would materially adversely affect, the transactions contemplated (i) in connection with the issuance and sale of the Series 2010 Bonds; (ii) by the Administrative Lease, the Highway Safety Lease or the Juvenile Correctional Lease; (iii) by the Authority's, the DAS's, the DPS's or the DYS's performance of their obligations under the Administrative Lease, the Highway Safety Lease or the Juvenile Correctional Lease; and (iv) by the Authority's performance of its obligations under the Administrative Trust Agreement, the Highway Safety Trust Agreement, the Juvenile Correctional Trust Agreement or the Series 2010 Bonds.

### **ELIGIBILITY UNDER OHIO LAW FOR INVESTMENT AND AS SECURITY FOR THE DEPOSIT OF PUBLIC MONEY**

To the extent that a particular investor is governed by Ohio law with respect to its investments, and subject to any applicable limitations under other provisions of Ohio law, under the Act the Series 2010 Bonds are lawful investments for banks, insurance companies, including domestic for life and domestic companies not for life, savings and loan associations, deposit guaranty companies, trust companies, fiduciaries, trustees, sinking funds or bond retirement funds of municipal corporations, school districts and counties, the Treasurer, the administrator of workers' compensation, the State Teachers' Retirement System, the Public Employees' Retirement System and the School Employees Retirement System, notwithstanding any other provisions of the Ohio Revised Code with respect to such investments.

The Act provides that the Series 2010 Bonds are acceptable under Ohio law as security for the deposit of public moneys.

Each Book Entry Interest Owner of the Series 2010 Bonds should make its own determination as to such matters of legality of investment in, or pledge of book-entry interests in, the Series 2010 Bonds.

### **RATINGS**

Moody's Investors Service, Inc. has assigned a rating of "Aa3" (with a negative rating outlook) to the Series 2010 Bonds, Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., has assigned a rating of "AA" (with a negative rating outlook) to the Series 2010 Bonds, and Fitch Ratings has assigned

a rating of “AA-” (with a stable rating outlook) to the Series 2010 Bonds. Such ratings and outlooks reflect only the respective views of such rating agencies. Any explanation of the significance of the ratings and outlooks may only be obtained from the respective rating agency. The State and the Authority furnished each rating agency with certain information and materials, some of which may not have been included in this Official Statement, relating to the Series 2010 Bonds, the State, the Authority, the DAS, the DPS and the DYS. Generally, rating agencies base their ratings and outlooks on such information and other investigations, studies and assumptions they deem appropriate. There can be no assurance that the ratings or outlooks will continue for any period of time or that they will not be revised or withdrawn entirely by the respective rating agency, if in its judgment circumstances so warrant. Any revision or withdrawal of a rating or outlook may have an effect on the marketability and market price of the Series 2010 Bonds.

## **TAX MATTERS FOR SERIES 2010 TAX-EXEMPT BONDS**

### **General**

In the opinion of Calfee, Halter & Griswold LLP, Bond Counsel, under existing law, (i) interest on the Series 2010 Tax-Exempt Bonds is excluded from gross income for federal income tax purposes under Section 103(a) of the Code, and is not treated as an item of tax preference under Section 57 of the Code for purposes of the alternative minimum tax imposed on individuals and corporations; (ii) interest on the Administrative Series 2010 A Bonds and the Juvenile Correction Series 2010 A Bonds is not treated as an adjustment to adjusted current earnings of a corporation under Section 56(g) of the Code, and (iii) interest on the Series 2010 Tax-Exempt Bonds, the transfer thereof, and any profit made on their sale, exchange, transfer, or other disposition are exempt from the Ohio personal income tax, the net income base of the Ohio corporate franchise tax, and income taxes imposed by municipalities and other political subdivisions in Ohio. Interest on the Series 2010 Tax-Exempt Bonds, as is the case with most other forms of interest on debt obligations, is not subject to the Ohio commercial activity tax.

Bond Counsel will express no opinion as to any other tax consequences regarding the Series 2010 Tax-Exempt Bonds.

The opinion on tax matters will be based on and will assume the accuracy of certain representations and certifications made by the Authority, and the compliance with certain covenants by the Authority to be contained in the transcript of proceedings and which are intended to evidence and assure the foregoing, including that the Series 2010 Tax-Exempt Bonds are and will remain obligations the interest on which is excluded from gross income for federal income tax purposes. Bond Counsel has not and will not independently verify the accuracy of such certifications and representations made by the Authority on the continuing compliance with those covenants.

The Code prescribes a number of qualifications and conditions for the interest on state and local government obligations to be and 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 may cause the interest on the Series 2010 Tax-Exempt Bonds to be included in gross income for federal income tax purposes retroactively to the date of their issuance. The Authority has covenanted to take such actions required for the interest on the Series 2010 Tax-Exempt Bonds to be and to remain excludable from gross income for federal income tax purposes, and not to take any actions which would adversely affect that exclusion.

Under the Code, interest on the Series 2010 Tax-Exempt Bonds may be subject to a branch profits tax imposed on certain foreign corporations doing business in the United States of America and a tax imposed on excess net passive income of certain S corporations. Additionally, a portion of the interest on the Highway Safety Series 2010 A Bonds and on the Juvenile Correctional Series 2010 B Bonds earned by certain corporations may be subject to a federal alternative minimum tax.

Under the Code, the exclusion of interest from gross income for federal income tax purposes can have certain federal income tax consequences with respect to items of income, deductions, or credits for certain taxpayers, including among them 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 credit. The applicability and extent of these and other tax consequences will depend upon the particular tax status or other items of income and expenses of the

owners of the Series 2010 Tax-Exempt Bonds. Bond Counsel will express no opinion regarding those consequences.

Payments of interest on tax-exempt obligations, including the Series 2010 Tax-Exempt Bonds, are generally subject to IRS Form 1099-INT information reporting requirements. If a Series 2010 Tax-Exempt 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.

From time to time legislative proposals are pending in Congress or the Ohio legislature that would, if enacted, alter or amend one or more of the federal or state tax matters discussed herein in certain respects or that would adversely affect the market value of the Series 2010 Tax-Exempt Bonds. In addition, federal or state judicial decisions may be rendered, or administrative actions taken by taxing authorities, which could also impact the federal or state tax matters discussed herein or that would adversely affect the market value of the Series 2010 Tax-Exempt Bonds. Neither the form nor enactment of any of such proposals can be predicted, and there can be no assurance that any such proposals or any judicial decisions or administrative actions, will not apply, either retroactively or prospectively, to the Series 2010 Tax-Exempt Bonds.

Prospective purchasers of the Series 2010 Tax-Exempt Bonds should consult their own tax advisors regarding pending or proposed federal and state tax legislation and other court proceedings, and prospective purchasers of the Series 2010 Tax-Exempt Bonds at other than their original issuance at the respective prices on the cover page of this Official Statement relating to the Series 2010 Tax-Exempt Bonds should also consult their own tax advisors regarding other tax considerations such as the consequences of market discount, as to all of which bond counsel expresses no opinion.

#### **Original Issue Premium**

Certain Series 2010 Tax-Exempt Bonds may be sold to the public at a price greater than the principal amount payable at maturity or earlier call date (the "Premium Bonds"). As a result, the Premium Bonds will be considered to be issued with amortizable bond premium (the "Acquisition Premium").

Acquisition Premium is the excess of the cost of a bond over the stated redemption price of such bond. The Series 2010 Tax-Exempt Bonds that are Premium Bonds are being initially offered and sold to the public with Acquisition Premium. For federal income tax purposes, the amount of Acquisition Premium on the Premium Bonds must be amortized and will reduce the bondholder's adjusted basis in that bond. However, no amount of amortized Acquisition Premium on the Premium Bonds may be deducted in determining a bondholder's taxable income for federal income tax purposes. The amount of any Acquisition Premium paid on the Premium Bonds that must be amortized during any period will be based on the "constant yield" method, using the original bondholder's basis in such Premium Bonds and compounding semiannually. This amount is amortized ratably over that semiannual period on a daily basis.

Bondholders of any Premium Bonds, both original purchasers and any subsequent purchasers, should consult their own tax advisors as to the actual effect of any Acquisition Premium with respect to their own federal income tax situation and as to the treatment of the Acquisition Premium for state tax purposes.

#### **Original Issue Discount**

Certain Series 2010 Tax-Exempt Bonds may be initially offered and sold to the public at a discount ("OID") from the amounts payable at maturity thereon (the "Discount Bonds"). OID is the excess of the stated redemption price of a bond at maturity (the face amount) over the "issue price" of such bond. The issue price is the initial offering price to the public (other than to bond houses, brokers or similar persons acting in the capacity of underwriters or wholesalers) at which a substantial amount of bonds of the same maturity are sold pursuant to that initial offering. For federal income tax purposes, OID on each Discount Bond will accrue over the term of the Discount Bond. The amount accrued will be based on a single rate of interest, compounded semiannually (the "yield to maturity") and, during each semi-annual period, the amount will accrue ratably on a daily basis. The OID

accrued during the period that an initial purchaser of a Discount Bond at its issue price owns it is added to the purchaser's tax basis for purposes of determining gain or loss at the maturity, redemption, sale or other disposition of that Discount Bond. In practical effect, accrued OID is treated as stated interest is treated, that is, as excludable from gross income for federal income tax purposes.

In addition, OID that accrues in each year to a bondholder of a Discount Bond is included in the calculation of the distribution requirements of certain regulated investment companies and may result in some of the collateral federal income tax consequences discussed above. Consequently, owners of any Discount Bond should be aware that the accrual of OID in each year may result in an alternative minimum tax liability, additional distribution requirements or other collateral federal income tax consequences although the owner of such Discount Bond has not received cash attributable to such OID in such year.

Holders of Discount Bonds should consult their own tax advisors as to the treatment of OID and the tax consequences of the purchase of such Discount Bonds other than at the issue price during the initial public offering and as to the treatment of OID for state tax purposes.

### **TAX MATTERS FOR SERIES 2010 TAXABLE BONDS**

In the opinion of Bond Counsel, under existing law, interest on the Series 2010 Taxable Bonds, the transfer thereof, and any profit made on their sale, exchange, transfer or other disposition are exempt from the Ohio personal income tax, the net income base of the Ohio corporate franchise tax, and income taxes imposed by municipalities and other political subdivisions in Ohio. Interest on the Series 2010 Taxable Bonds, as is the case with most other forms of interest on debt obligations, is not subject to the Ohio commercial activity tax. An opinion to those effects will be included in the legal opinion. Bond Counsel will express no opinion as to any other tax consequences regarding the Series 2010 Taxable Bonds. **INTEREST ON THE SERIES 2010 TAXABLE BONDS IS NOT EXCLUDED FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES. OWNERS OF THE SERIES 2010 TAXABLE BONDS SHOULD CONSULT WITH THEIR OWN TAX ADVISORS AS TO THE FEDERAL, STATE AND LOCAL, AND FOREIGN TAX CONSEQUENCES OF THEIR ACQUISITION, OWNERSHIP AND DISPOSITION OF THE SERIES 2010 TAXABLE BONDS.** The owners of the Series 2010 Taxable Bonds are not entitled to a tax credit as a result of ownership of the Series 2010 Taxable Bonds. The legal defeasance of the Series 2010 Taxable Bonds (if undertaken by the Authority) may result in a deemed sale or exchange of the Series 2010 Taxable Bonds under certain circumstances; owners of the Series 2010 Taxable Bonds should consult their tax advisors as to the federal income tax consequences of such an event.

#### **Backup Withholding**

General information reporting requirements will apply to payments of principal and interest made on a Series 2010 Taxable Bond and the proceeds of the sale of a Series 2010 Taxable Bond to non-corporate holders of the Series 2010 Taxable Bonds, and "backup withholding" at a rate of 28% will apply to such payments if the owner fails to provide an accurate taxpayer identification number in the manner required or fails to report all interest required to be shown on its federal income tax returns. A beneficial owner of a Series 2010 Taxable Bond that is a U.S. owner can obtain complete exemption from backup withholding by providing a properly completed IRS Form W-9 (Request for Taxpayer Identification Number and Certification).

#### **Nonresident Owners**

Under the Code, interest and OID on any Series 2010 Taxable Bond whose beneficial owner is a nonresident alien, foreign corporation or other non-United States person (Nonresident) are generally not subject to United States income tax or withholding tax (including backup withholding) if the Nonresident provides the payor of interest on the Series 2010 Taxable Bonds with an appropriate statement as to its status as a Nonresident. This statement can be made on IRS Form W-8BEN or a successor form. If, however, the Nonresident conducts a trade or business in the United States and the interest or OID on the Series 2010 Taxable Bonds held by the Nonresident is effectively connected with such trade or business, that interest or OID will be subject to United States income tax but will generally not be subject to United States withholding tax (including backup withholding).

## **Circular 230**

THE FOREGOING DISCUSSION OF TAX MATTERS FOR THE SERIES 2010 TAXABLE BONDS WAS NOT INTENDED OR WRITTEN BY BOND COUNSEL TO BE USED, AND IT CANNOT BE USED, FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON AN OWNER OF THE SERIES 2010 TAXABLE BONDS. THE FOREGOING DISCUSSION OF TAX MATTERS FOR THE SERIES 2010 TAXABLE BONDS WAS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE SERIES 2010 TAXABLE BONDS. EACH PROSPECTIVE OWNER OF THE SERIES 2010 TAXABLE BONDS SHOULD SEEK ADVICE BASED ON THE PROSPECTIVE OWNER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

### **CERTAIN LEGAL MATTERS**

Legal matters incident to the issuance of the Series 2010 Bonds and with regard to tax matters related thereto (see "**TAX MATTERS FOR THE SERIES 2010 TAX-EXEMPT BONDS**" and "**TAX MATTERS FOR THE SERIES 2010 TAXABLE BONDS**") are subject to the approving legal opinions of Calfee Halter & Griswold LLP, as Bond Counsel. Signed copies of the Bond Counsel opinions, dated as of, and speaking only as of the date of original delivery of the Series 2010 Bonds, will be delivered to the Underwriters at the time of that original delivery. The proposed texts of the legal opinions of Bond Counsel are set forth as **APPENDIX B-1 and B-2** hereto. The legal opinions to be delivered may vary from those texts if necessary to reflect facts and law on the date of delivery of the Series 2010 Bonds. The legal opinions will speak only as of their date, and subsequent distribution of the opinions by recirculation of the Official Statement or otherwise shall create no implication that Bond Counsel has reviewed or expresses any opinion concerning any of the matters referred to in the opinions subsequent to their respective dates.

Certain legal matters will be passed upon for the Underwriters by Tucker Ellis & West LLP. Certain legal matters will be passed upon for the Authority by its counsel, Richard Cordray, Attorney General of Ohio, and Porter, Wright, Morris & Arthur LLP. Certain legal matters also will be passed upon for the DAS, the DPS and the DYS by the Attorney General of Ohio.

### **INFORMATION CONCERNING THE STATE OF OHIO**

Attached hereto as **APPENDIX A – INFORMATION CONCERNING THE STATE OF OHIO** is a discussion of certain matters relating to State finances, debt, population, employment, agriculture, resources, tax bases and related subjects. **APPENDIX A – INFORMATION CONCERNING THE STATE OF OHIO** has been provided by the State from its official records, except for information expressly attributed to other sources. The information is intended to show recent historical information and 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 such financial and other information, will necessarily continue in the future.

### **FINANCIAL ADVISOR**

The Authority has retained PRISM Municipal Advisors, LLC as financial advisor to the Authority in connection with the issuance and sale of the Series 2010 Bonds. PRISM Municipal Advisors, LLC 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. PRISM Municipal Advisors, LLC is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

### **UNDERWRITING**

Wells Fargo Securities, as representative of the Underwriters listed on the cover, has agreed, subject to certain conditions, to purchase the Series 2010 Bonds from the Authority at the following prices: (i) in the case of the Administrative Series 2010 A Bonds, \$9,737,121.61 (consisting of the par amount thereof, plus original issue premium of \$773,931.25 on the Administrative Series 2010 A Bonds, less Underwriters' compensation of

\$41,809.64); (ii) in the case of the Administrative Series 2010 B Bonds, \$30,812,907.93 (consisting of the par amount thereof, less Underwriters' compensation of \$182,092.07); (iii) in the case of the Highway Safety Series 2010 A Bonds, \$12,023,548.11 (consisting of the par amount thereof, plus net premium of \$1,213,969.90 on the Highway Safety Series 2010 A Bonds, less Underwriters' compensation of \$50,421.79); (iv) in the case of the Juvenile Correctional Series 2010 A Bonds, \$5,631,477.48 (consisting of the par amount thereof, plus original issue premium of \$211,857.10 on the Juvenile Correctional Series 2010 A Bonds, less Underwriters' compensation of \$25,379.62); (v) in the case of the Juvenile Correctional Series 2010 B Bonds, \$13,090,201.16 (consisting of the par amount thereof, plus original issue premium of \$1,693,277.90 on the Juvenile Correctional Series 2010 B Bonds, less Underwriters' compensation of \$53,076.74); and (vi) in the case of the Juvenile Correctional Series 2010 C Bonds, \$9,498,691.26 (consisting of the par amount thereof, less Underwriters' compensation of \$56,308.74). The Underwriters are obligated to purchase all of the Series 2010 Bonds if any are purchased. The Series 2010 Bonds may be offered and sold by the Underwriters to certain dealers at prices lower than the public offering prices, and the public offering prices may be changed from time to time.

J.P. Morgan Securities Inc., one of the underwriters of the Series 2010 Bonds, has entered into an agreement (the "Distribution Agreement") with UBS Financial Services Inc. for the retail distribution of certain municipal securities offerings, including the Series 2010 Bonds, at the original issue prices. Pursuant to the Distribution Agreement, J.P. Morgan Securities Inc. will share a portion of its underwriting compensation with respect to the Series 2010 Bonds with UBS Financial Services Inc.

#### CONTINUING DISCLOSURE

The Authority has agreed, for the benefit of the Holders and Book Entry Interest Owners of the Series 2010 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"), including specifically the following:

To the Municipal Securities Rulemaking Board ("MSRB"):

- (a) Annual Information for each Fiscal Year (beginning with Fiscal Year 2010) 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 – INFORMATION CONCERNING THE STATE OF OHIO** of this Official Statement under the captions "**FISCAL MATTERS**", "**STATE DEBT**" and "**TAX LEVELS AND TAX BASES.**" The Director of Budget and Management has agreed to provide that Annual Information. The Annual Information may be provided by reference to other documents, such as the State's Comprehensive Annual Financial Report, the Authority's annual financial statements, and subsequent final official statements relating to other bonds issued by the State.
- (b) When and if available, audited general purpose financial statements of the State for each Fiscal Year. The Authority expects such financial statements to be provided by the Director of Budget and Management, that they will be available separately from the Annual Information, and that the accounting principles to be applied in their preparation will be as described under and by reference in "**FISCAL MATTERS - Accounts and Controls; Financial Reports**" in **APPENDIX A – INFORMATION CONCERNING THE STATE OF OHIO**.

To the MSRB, in a timely manner, notice of:

- (a) The occurrence of any of the following events, within the meaning of the Rule, with respect to the Series 2010 Bonds, if material: principal and interest payment delinquencies; non-payment related defaults; unscheduled draws on any debt service reserves or credit enhancements reflecting financial difficulties; substitution of credit or liquidity providers, or their failure to perform; adverse tax opinions or events affecting the tax-exempt status of the Series 2010 Bonds;

modifications to rights of Holders or Book Entry Interest Owners; bond calls; defeasances; release, substitution, or sale of property securing repayment of the Series 2010 Bonds; and rating changes. There are initially no bond service reserves, liquidity providers or credit enhancements applicable to the Series 2010 Bonds, or any property (except the Administrative Pledged Receipts, the Highway Safety Pledged Receipts and the Juvenile Correctional Pledged Receipts, respectively) securing their repayment;

- (b) The failure to provide the Annual Information within the time specified above; and
- (c) Any change in the accounting principles applied in the preparation of the annual financial statements, any change in Fiscal Year, any failure of the General Assembly to appropriate moneys for the purpose of paying costs to be incurred by the State to perform its obligations pursuant to the Continuing Disclosure Agreement for the applicable fiscal period (biennium), and termination of the Continuing Disclosure Agreement.

The Authority will reserve 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 to achieve its compliance with any applicable federal securities law or rule, to cure any ambiguity, inconsistency or formal defect or omission, and 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 Authority. Any such amendment or waiver will not be effective unless the Continuing Disclosure Agreement (as amended or taking into account such waiver) would have complied with the requirements of the Rule at the time of the primary offering of the Series 2010 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 Authority shall have received either (i) a written opinion of bond counsel or other qualified independent special counsel selected by the Authority that the amendment or waiver would not materially impair the interest of Holders or Book Entry Interest Owners of the applicable Series 2010 Bonds, or (ii) the written consent to the amendment, or waiver, by the Holders of at least a majority of the aggregate outstanding principal amount of the applicable Series 2010 Bonds.

The Continuing Disclosure Agreement will be solely for the benefit of the Holders and Book Entry Interest Owners of the Series 2010 Bonds. The right to enforce the provisions of the Continuing Disclosure Agreement is limited to the extent permitted by law to an action for mandamus or specific performance to compel compliance with the obligations of the Authority and the State under it.

Any noncompliance with the Continuing Disclosure Agreement will not be a default or failure to comply for purposes of the default provisions of the Administrative Trust Agreement, the Highway Safety Trust Agreement or the Juvenile Correctional Trust Agreement. None of the Administrative Trustee, the Highway Safety Trustee or the Juvenile Correctional Trustee has any responsibility to monitor compliance with the Continuing Disclosure Agreement.

In order to provide certain continuing disclosure with respect to the Series 2010 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 2010 Bonds with Digital Assurance Certification, L.L.C. ("DAC"), under which the State has designated DAC as the Disclosure Dissemination Agent (the "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 the 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 2010 Bonds or any other party. The Disclosure Dissemination Agent has no responsibility for

any failure to report to the State 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 Disclosure Dissemination Agreement, and the Disclosure Dissemination Agent may conclusively rely upon certification of the State at all times.

The performance by the State, as the only obligated person with respect to the Series 2010 Bonds, of the Continuing Disclosure Agreement will be subject to the biennial appropriations by the General Assembly of moneys for the applicable purposes.

The Continuing Disclosure Agreement will remain in effect for the Series 2010 Bonds only for such period that the Series 2010 Bonds are outstanding in accordance with their terms and the State remains an obligated person with respect to the Series 2010 Bonds within the meaning of the Rule.

The Authority or OBM, on behalf of the Authority, has in a timely manner made all filings and given all notices heretofore required under the Rule.

### **CONCLUDING STATEMENT**

Quotations in this Official Statement from, and summaries and explanations of, the Ohio Constitution, the Ohio Revised Code, the Administrative Trust Agreement, the Highway Safety Trust Agreement, the Juvenile Correctional Trust Agreement, the Administrative Lease, the Highway Safety Lease, the Juvenile Correctional Lease, the Administrative Resolutions, the Highway Safety Resolutions and the Juvenile Correctional Resolutions do not purport to be complete. Reference is made to the pertinent provisions of the Ohio Constitution and Ohio Revised Code and those documents for all complete statements of their provisions. Copies of the Administrative Trust Agreement, the Highway Safety Trust Agreement, the Juvenile Correctional Trust Agreement, the Administrative Lease, the Highway Safety Lease, the Juvenile Correctional Lease, the Administrative Resolutions, the Highway Safety Resolutions and the Juvenile Correctional Resolutions are available upon request from the Ohio Building Authority, 30 East Broad Street, 40th Floor, Columbus, Ohio 43215 (Telephone 614/466-5959).

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, and no representation is made that any of those statements will be realized. Information in this Official Statement had been derived by the State and the Authority from official and other sources and is believed by the State and the Authority to be reliable, but information other than that obtained from official records of the State has not been independently confirmed or verified by the State or Authority and its accuracy is not guaranteed. This Official Statement is not to be construed as a contract or agreement between the State or the Authority and the Underwriters or subsequent Holders of any of the Series 2010 Bonds or owners of any interest therein.

This Official Statement has been prepared, approved and delivered by the Authority, and executed for and on its behalf and in his official capacity by the official indicated below.

### **OHIO BUILDING AUTHORITY**

By:     /s/ Kevin T. Fenlon      
Assistant Executive Director

## GLOSSARY

When used herein 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 Agreements and the Leases, copies of which are available from the Authority and the Underwriters. Use of the singular includes plural and use of the plural includes singular, where applicable.

“Act” means Chapter 152 of the Ohio Revised Code, as the same may be amended, modified, revised, or superseded from time to time, together with the provisions of any other act or resolution of the General Assembly authorizing or limiting the issuance of Bonds or the use of the proceeds of such obligations as applicable.

“Additional Administrative Bonds” means any Bonds other than the Administrative Series 2010 Bonds issued by the Authority pursuant to the Administrative Trust Agreement.

“Additional Bonds” means the Additional Administrative Bonds, the Additional Highway Safety Bonds, or the Additional Juvenile Correctional Bonds, as applicable.

“Additional Highway Safety Bonds” means any Highway Safety Bonds other than the Highway Safety Series 2010 A Bonds issued by the Authority pursuant to the Highway Safety Trust Agreement.

“Additional Juvenile Correctional Bonds” means any Juvenile Correctional Bonds other than the Juvenile Correctional Series 2010 Bonds issued by the Authority pursuant to the Juvenile Correctional Trust Agreement.

“Additional Rent” means “Additional Rent” as defined in the Administrative Lease, the Highway Safety Lease, or the Juvenile Correctional Lease, including, without limitation, an amount estimated by the Authority to be equal to the administrative fees and expenses and other fees, expenses and obligations, other than Bond Service Charges, incurred by the Authority in carrying out its duties and meeting its obligations under the Administrative Lease and the Administrative Trust Agreement with respect to the Administrative Bonds, its duties and meeting its obligations under the Highway Safety Lease and the Highway Safety Trust Agreement with respect to the Highway Safety Bonds, and its duties and meeting its obligations under the Juvenile Correctional Lease and the Juvenile Correctional Trust Agreement with respect to the Juvenile Correctional Bonds, as applicable, and any agreement between the Authority and the DAS relating to the Administrative Projects, between the Authority and DPS relating to the Highway Safety Projects, between the Authority and DYS relating to the Juvenile Correctional Projects, between the Authority and any Financial Institution providing a Credit Support Instrument, between the Authority and any person providing remarketing services, or any other agreement with respect to any series of Administrative Bonds, Highway Safety Bonds, or Juvenile Correctional Bonds, including, without limitation, accounting, administrative (including overhead reasonably allocated to such Administrative Bonds, Highway Safety Bonds, or Juvenile Correctional Bonds), financial advisory and legal expenses, and the fees and expenses of the Administrative Trustee, the Highway Safety Trustee, the Juvenile Correctional Trustee, the Bond Registrars, the Paying Agents, the Authenticating Agents, any Tender Agent, or any other fiduciary or agent acting under the respective bond proceeding and which are payable from the Administrative Service Fund, the Highway Safety Administrative Service Fund, or the Juvenile Correctional Administrative Service Fund but for which monies are not available in the respective fund and when needed, an amount sufficient to fully fund any respective Rebate Amount.

“Administrative Bond Service Account” means the Administrative Bond Service Account in the Administrative Bond Service Fund established pursuant to the Administrative Resolutions for the payment of Bond Service Charges on the Administrative Bonds.

“Administrative Bond Service Fund” means the Ohio Building Authority Bond Service Fund established pursuant to the Administrative General Bond Resolution and the Original Administrative Trust Agreement.

“Administrative Bonds” means the Administrative Series 2010 Bonds and all Outstanding Additional Administrative Bonds issued by the Authority pursuant to the Administrative Resolutions.

“Administrative Building Fund” means the Administrative Building Fund created by the General Assembly in the custody of the Treasurer and as further identified in the Administrative General Bond Resolution.

“Administrative General Bond Resolution” means Resolution No. 1990-12 adopted by the Authority on December 12, 1990, as the same may be amended from time to time in accordance with its provisions or the provisions of the Original Administrative Trust Agreement.

“Administrative Lease” means the Original Administrative Lease, as amended and supplemented.

“Administrative Pledged Receipts” means (a) all rentals and other revenues and receipts of the Authority under the Administrative Lease, excepting only the portions thereof to be deposited in the Administrative Service Fund and the Administrative Rebate Fund as provided in the Administrative Trust Agreement; (b) all amounts standing to the credit of the Administrative Bond Service Fund including any bond service reserve account (other than sub-accounts in such bond service reserve account which are limited to certain series of obligations); (c) any gifts, grants, appropriations, donations and pledges, and receipts therefrom, received by the Authority for or relating to the Administrative Projects, to the extent not heretofore pledged and to the extent not prohibited by the terms of such gifts, grants, appropriations, donations or pledges; (d) all other rents, revenues and receipts, including fees and charges, derived or to be derived by the Authority from the Administrative Projects to the extent not heretofore pledged; and (e) any other available receipts, as defined in Section 152.09(A)(8) of the Ohio Revised Code, which are hereafter pledged to the payment of Bond Service Charges by any Administrative Series Resolution.

“Administrative Projects” means those capital facilities, or portions thereof, described in the Administrative Lease, as described herein under the heading “**THE PROJECTS - Administrative Projects.**”

“Administrative Rebate Fund” means the Ohio Building Authority Rebate Fund created by the Administrative Trust Agreement, including the accounts therein, to facilitate payments of amounts due to be paid to the United States of America.

“Administrative Resolutions” means the Administrative General Bond Resolution as amended and supplemented to date, including by the Administrative Series 2010 Resolution.

“Administrative Series 2010 Resolution” means Resolution No. 2010-1 adopted by the Authority on March 17, 2010, as the same may be amended from time to time, providing for the issuance of the Administrative Series 2010 Bonds.

“Administrative Series 2010 A Bonds” means the State of Ohio (Ohio Building Authority) State Facilities Bonds (Administrative Building Fund Projects), 2010 Series A (Tax-Exempt), authorized by the Administrative Series 2010 Resolution to be issued in the aggregate principal amount stated on the cover page hereof.

“Administrative Series 2010 B Bonds” means the State of Ohio (Ohio Building Authority) State Facilities Bonds (Administrative Building Fund Projects), 2010 Series B (Federally Taxable – Build America Bonds – Direct Payment), authorized by the Administrative Series 2010 Resolution to be issued in the aggregate principal amount stated on the cover page hereof.

“Administrative Series 2010 Bonds” means, collectively, the Administrative Series 2010 A Bonds and the Administrative Series 2010 B Bonds.

“Administrative Series Resolution” means a resolution of the Authority authorizing the issuance of a series of Administrative Bonds in accordance with the Administrative General Bond Resolution, and includes any resolutions providing for the award, sale, terms or forms of the Administrative Bonds authorized by an Administrative Series Resolution.

“Administrative Service Fund” means the Ohio Building Authority Administrative Service Fund established pursuant to the Administrative General Bond Resolution and the Original Administrative Trust Agreement.

“Administrative Trust Agreement” means the Original Administrative Trust Agreement, as amended and supplemented to date and by the Twentieth Supplemental Administrative Trust Agreement, and unless the context indicates otherwise, includes all Supplemental Administrative Trust Agreements.

“Administrative Trustee” means The Huntington National Bank and any successor Administrative Trustee as determined or designated under or pursuant to the Administrative Trust Agreement.

“Authenticating Agent” means the Trustee and the Registrar for the Administrative Series 2010 Bonds, the Highway Safety Series 2010 A Bonds, or the Juvenile Correctional Series 2010 Bonds, respectively, and any other bank, trust company or other person designated as an Authenticating Agent for the Administrative Series 2010 Bonds, the Highway Safety Series 2010 A Bonds, or the Juvenile Correctional Series 2010 Bonds, respectively, by or in accordance with the Original Administrative Trust Agreement, Original Highway Safety Trust Agreement, or Original Juvenile Correctional Trust Agreement, respectively, each of 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 both corporate and politic performing essential governmental functions of the State and created and operating under the Act.

“Authorized Officer” or “authorized officer” means, with respect to the Administrative Bonds, the Highway Safety Bonds, or the Juvenile Correctional Bonds, any officer, member, or employee of the Authority authorized by or pursuant to a resolution of the Authority or a certificate signed by the Chairman, Vice-Chairman, Secretary-Treasurer or Executive Director of the Authority to perform any act or sign any documents in question, and, if there is no such resolution or certificate, means the Chairman of the Authority.

“Basic Rent” means the net basic rent in an amount sufficient to pay the estimated Bond Services Charges due on the Administrative Bonds, the Highway Safety Bonds, or the Juvenile Correctional Bonds, respectively, payable on the next Interest Payment Date.

“Bond Proceedings” or “bond proceedings” means the Administrative Resolutions, the Highway Safety Resolutions, the Juvenile Correctional Resolutions, the Administrative Trust Agreement, the Highway Safety Trust Agreement, the Juvenile Correctional Trust Agreement, the Administrative Lease, the Highway Safety Lease, the Juvenile Correctional Lease and other resolutions, leases and agreements, and amendments and modifications of and supplements to the foregoing, or any combination thereof, authorizing or providing for the terms and conditions applicable to, or providing for the security for or sale of, the Administrative Series 2010 Bonds, the Highway Safety Series 2010 A Bonds, or the Juvenile Correctional Series 2010 Bonds and the terms contained in the Administrative Series 2010 Bonds, the Highway Safety Series 2010 A Bonds, or the Juvenile Correctional Series 2010 Bonds, respectively.

“Bond Register” means the books kept and maintained by the applicable Bond Registrar pursuant to the Administrative Trust Agreement with respect to the Administrative Bonds, the Highway Safety Trust Agreement with respect to the Highway Safety Bonds, or the Juvenile Correctional Trust Agreement with respect to the Juvenile Correctional Bonds.

“Bond Service Charges” or “Bond service charges” means the principal, including any mandatory sinking fund requirements, and interest and any redemption premium required to be paid on the Administrative Bonds, the Highway Safety Bonds, or the Juvenile Correctional Bonds, as applicable (whether or not held by any Financial Institution or its designee), and when used in reference to the Bond Service Charges on unissued Administrative Bonds, Highway Safety Bonds, or Juvenile Correctional Bonds in anticipation of the issuance of which notes are or are to be issued, means the estimated Bond Service Charges on those Bonds set forth in the proceedings for those notes. When the context requires, Bond Service Charges includes note service charges.

“Book-Entry Form,” “book-entry form” or Book-Entry System” means a form or system under which (i) the beneficial, book-entry ownership of a series of Series 2010 Bonds, and the right to the Bond Service Charges thereon, may be transferred only through a book-entry, and (ii) physical bond certificates in fully registered form are issued by the Authority only to a Depository or its nominee as Holder, with those Series 2010 Bonds held by and

“immobilized” in the custody of the Depository, or its nominee, and with the book-entry system maintained by persons other than the Authority, the Administrative Trustee, the Highway Safety Trustee, or the Juvenile Correctional Trustee being the record that identifies the owners of beneficial interests in those Series 2010 Bonds and rights to Bond Service Charges, respectively.

“Book Entry Interest Owner” means an owner of a beneficial book-entry interest in the Series 2010 Bonds.

“Business Day” or “business day” means any day other than a Saturday, a Sunday or a day on which banking institutions in the State of Ohio are authorized or required by law to close or a day on which a Paying Agent or the Administrative Trustee, the Highway Safety Trustee, or the Juvenile Correctional Trustee, as applicable, is unable to open or be opened for reasons not related to financial condition.

“Capital Facilities” or “capital facilities” means any capital facilities, as defined by the Act, for use by the DAS, the DPS, the DYS or other governmental entities, and for the financing of which the Authority is authorized to issue bonds.

“Code” means the Internal Revenue Code of 1986, as amended from time to time. References to the Code and sections of the Code include relevant, applicable regulations (including temporary regulations) and proposed regulations thereunder and under the Internal Revenue Code of 1954, as amended, and any successor provisions to those sections, regulations or proposed regulations.

“Credit Support Instrument” means an insurance policy, letter of credit or other credit enhancement, support or liquidity device provided pursuant to an agreement with any Financial Institution to enhance the security or liquidity of any Administrative Bonds, Highway Safety Bonds, or Juvenile Correctional Bonds or series or part of any series of Administrative Bonds, Highway Safety Bonds, or Juvenile Correctional Bonds or to provide, in whole or part, a required reserve, as applicable.

“DAS” means the Department of Administrative Services of the State.

“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 Book Entry Interest Ownership of Series 2010 Bonds and to effect transfers of the Series 2010 Bonds in Book-Entry Form, and includes and means initially DTC.

“Direct Payment Build America Bonds” means obligations issued as taxable bonds or notes qualifying as both Build America Bonds and Qualified Bonds under Sections 54AA(d) and 54AA(g) of the Code, respectively.

“Direct Participant” means securities brokers and dealers, banks and trust companies, clearing corporations, and certain other organizations for which DTC hold securities.

“Director of Budget and Management” means that officer of the State, appointed pursuant to Section 121.03 of the Ohio Revised Code, who administers and is the executive head of the Office of Budget and Management of the State.

“DPS” means the Department of Public Safety of the State.

“DTC” means The Depository Trust Company, New York, New York, a limited purpose trust company organized under the laws of the State of New York, or its nominee, and the initial registered Holder of and Depository for the Series 2010 Bonds.

“DYS” means the Department of Youth Services of the State.

“Eighth Supplemental Highway Safety Lease” means the Eighth Supplemental Highway Safety Lease dated as of March 1, 2010 between the Authority and the DPS.

“Eighth Supplemental Highway Safety Trust Agreement” means the Eighth Supplemental Highway Safety Trust Agreement dated as of March 1, 2010 between the Authority and the Highway Safety Trustee.

“Eligible Investments” means, unless varied by (i) the terms of an Administrative Series Resolution as to a particular series of Administrative Bonds with respect to money held by the Administrative Trustee, (ii) the terms of a Highway Safety Series Resolution as to a particular series of Highway Safety Bonds with respect to money held by the Highway Safety Trustee, or (iii) the terms of a Juvenile Correctional Series Resolution as to a particular series of Juvenile Correctional Bonds with respect to money held by the Juvenile Correctional Trustee, any of the following securities:

- (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 full faith and credit 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 Moody’s Investors Service, Inc. (“Moody’s”) and Standard & Poor’s Credit Market Services (“S&P”) (collectively, 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 any political subdivision of the State that are rated at one of the two highest ratings of the Rating Services;
- (v) certificates of deposit, whether negotiable or nonnegotiable, issued by a national bank located in the State or a bank (as defined in Section 1101.01 of the Ohio Revised Code) subject to inspection by the State Superintendent of Banks, which bank has a combined capital and surplus of at least One Hundred Million Dollars (\$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 ten percent (10%) of the combined capital, surplus and undivided profits of the issuing bank and (b) shall be in the possession of the applicable Trustee, or its agents and shall be either (A) continuously and fully insured by the Federal Deposit Insurance Corporation, or its successors or (B) to the extent not so insured, continuously and fully secured by securities (“Pledged Securities”) as are described in clauses (i) through (iii), inclusive, above which shall have a market value (exclusive of any accrued interest) at all times at least equal to the principal amount of the certificates of deposit; and the bank issuing a certificate of deposit required to be secured as provided in clause (B) above shall furnish the applicable Trustee with an undertaking satisfactory to it that the aggregate market value of all such Pledged Securities securing each such certificate of deposit will at all times be an amount at least equal to the principal amount of each such certificate of deposit and the applicable Trustee shall be entitled to rely on each such undertaking;
- (vi) any repurchase agreement for a period not to exceed thirty (30) days with a national bank located in the State or a bank (as defined in Section 1101.01 of the Ohio Revised Code) subject to inspection by the State Superintendent of Banks having a combined capital and surplus of at least One Hundred Million Dollars (\$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 repurchase agreement is fully and continuously collateralized by interest bearing Pledged Securities having a market value at all times of not less than the amount invested in such repurchase agreement;
- (vii) any “no front-end load” money market fund that is rated at least “A” (or its equivalent) by the Rating Services, the assets of which funds are invested solely in obligations described in clauses (i), (ii), and (iii) above, including any such money market fund of the applicable Trustee;

provided that for the purposes of clauses (v) and (vi), the respective Pledged Securities are to be in the possession of the applicable Trustee or its agent and are to be free and clear of all liens or rights of any third party, and in which obligations the applicable Trustee is to have a first perfected security interest.

“Financial Institution” means any financial institution or institutions providing any Credit Support Instrument in connection with one or more series of Administrative Bonds, Highway Safety Bonds, or Juvenile Correctional Bonds.

“Fiscal Year” means a period of twelve 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 period of twelve (12) consecutive months as may by law be designated as the fiscal year for general State fiscal purposes.

“Fully Registered Bonds” or “fully registered form” means the Administrative Bonds, the Highway Safety Bonds, or the Juvenile Correctional Bonds without coupons, registered as to both principal and interest in the name of the Holder thereof.

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

“Highway Safety Administrative Service Fund” means the Ohio Building Authority Administrative Service Fund established pursuant to the Highway Safety General Bond Resolution and the Original Highway Safety Trust Agreement.

“Highway Safety Bond Service Account” means the Highway Safety Bond Service Account in the Highway Safety Bond Service Fund established pursuant to the Resolutions for the payment of Bond Service Charges on the Highway Safety Bonds.

“Highway Safety Bond Service Fund” means the Ohio Building Authority Bond Service Fund established pursuant to the Highway Safety General Bond Resolution and the Original Highway Safety Trust Agreement.

“Highway Safety Bonds” means the Highway Safety Series 2010 A Bonds and all Outstanding Additional Highway Safety Bonds issued by the Authority pursuant to the Highway Safety Resolutions.

“Highway Safety Building Fund” means the Highway Safety Building Fund created by the General Assembly in the custody of the Treasurer and as further identified in the General Bond Resolution.

“Highway Safety General Bond Resolution” means Resolution No. 1994-24 adopted by the Authority on September 21, 1994, as the same may be amended from time to time in accordance with its provisions or the provisions of the Original Highway Safety Trust Agreement.

“Highway Safety Lease” means the Original Highway Safety Lease, as amended and supplemented.

“Highway Safety Pledged Receipts” means (a) all rentals and other revenues and receipts of the Authority under the Highway Safety Lease, excepting only the portions thereof to be deposited in the Highway Safety Service Fund and the Highway Safety Rebate Fund as provided in the Highway Safety Trust Agreement; (b) all amounts standing to the credit of the Highway Safety Bond Service Fund including any bond service reserve account (other than sub-accounts in such bond service reserve account which are limited to certain series of obligations); (c) any gifts, grants, appropriations, donations and pledges, and receipts therefrom, received by the Authority for or relating to the Highway Safety Projects, to the extent not heretofore pledged and to the extent not prohibited by the terms of such gifts, grants, appropriations, donations or pledges; (d) all other rents, revenues and receipts, including fees and charges, derived or to be derived by the Authority from the Highway Safety Projects to the extent not heretofore pledged; and (e) any other available receipts, as defined in Section 152.09(A)(8) of the Ohio Revised Code, which are hereafter pledged to the payment of Bond Service Charges by any Highway Safety Series Resolution.

“Highway Safety Projects” means those capital facilities, or portions thereof, described in the Highway Safety Lease, as described herein under the heading “**THE PROJECTS - Highway Safety Projects.**”

“Highway Safety Rebate Fund” means the Ohio Building Authority Rebate Fund created by the Highway Safety Trust Agreement, including the accounts therein, to facilitate payments of amounts due to be paid to the United States of America.

“Highway Safety Refunded Bonds” means certain maturities of the currently outstanding State of Ohio (Ohio Building Authority) State Facilities Bonds (Highway Safety Building Fund Projects), 2001 Series A.

“Highway Safety Resolutions” means the Highway Safety General Bond Resolution as amended and supplemented to date, including by the Highway Safety Series 2010 A Resolution.

“Highway Safety Series 2010 A Bonds” means the State of Ohio (Ohio Building Authority) State Facilities Refunding Bonds (Highway Safety Building Fund Projects), 2010 Series A (Tax-Exempt), authorized by the Highway Safety Series 2010 A Resolution to be issued in the aggregate principal amount stated on the cover page hereof.

“Highway Safety Series 2010 A Resolution” means Resolution No. 2010-2 adopted by the Authority on March 17, 2010, as the same may be amended from time to time, providing for the issuance of the Highway Safety Series 2010 A Bonds.

“Highway Safety Series Resolution” means a resolution of the Authority authorizing the issuance of a series of Highway Safety Bonds in accordance with the Highway Safety General Bond Resolution, and includes any resolutions providing for the award, sale, terms or forms of the Highway Safety Bonds authorized by an Highway Safety Series Resolution.

“Highway Safety Trust Agreement” means the Original Highway Safety Trust Agreement, as amended and supplemented to date and by the Eighth Supplemental Highway Safety Trust Agreement, and unless the context indicates otherwise, includes all Supplemental Highway Safety Trust Agreements.

“Highway Safety Trustee” means The Bank of New York Mellon Trust Company, N.A. and any successor Highway Safety Trustee as determined or designated under or pursuant to the Highway Safety Trust Agreement.

“Holder” or “bondholder” or any similar term means any person in whose name Administrative Bonds, Highway Safety Bonds, or Juvenile Correctional Bonds are registered on the applicable Bond Register.

“Indirect Participant” means entities that clear transactions through or maintain a custodial relationship with a Direct Participant.

“Interest Payment Date” means, (i) as to the Series 2010 Bonds, the first day of each April and October commencing on October 1, 2010, and (ii) as to Additional Administrative Bonds, Additional Highway Safety Bonds, or Additional Juvenile Correctional Bonds, the dates set forth as Interest Payment Dates in the respective Supplemental Administrative Trust Agreement, Supplemental Highway Safety Trust Agreement, or Supplemental Juvenile Correctional Trust Agreement.

“Juvenile Correctional Administrative Service Fund” means the Ohio Building Authority Administrative Service Fund established pursuant to the Juvenile Correctional General Bond Resolution and the Original Juvenile Correctional Trust Agreement.

“Juvenile Correctional Bond Service Fund” means the Bond Service Fund established pursuant to the Juvenile Correctional General Bond Resolution and the Original Juvenile Correctional Trust Agreement.

“Juvenile Correctional Bonds” means the Juvenile Correctional Series 2010 Bonds and all Outstanding Additional Juvenile Correctional Bonds issued by the Authority pursuant to the Juvenile Correctional Resolutions.

“Juvenile Correctional General Bond Resolution” means the Juvenile Correctional General Bond Resolution No. 1990-03 adopted by the Authority on June 5, 1990, as the same may be amended from time to time in accordance with its provisions or the provisions of the Juvenile Correctional Trust Agreement.

“Juvenile Correctional Lease” means the Original Juvenile Correctional Lease Agreement, as amended and supplemented.

“Juvenile Correctional Pledged Receipts” means (i) rents, revenues and receipts derived by the Authority under the Juvenile Correctional Lease excepting only those portions thereof to be deposited into the Juvenile Correctional Administrative Service Fund and the Juvenile Correctional Rebate Fund as provided in the Juvenile Correctional Trust Agreement, (ii) all amounts standing to the credit of the Juvenile Correctional Bond Service Fund, (iii) any gifts, grants, appropriations, donations and pledges, and receipts therefrom, received by the Authority for or relating to the Juvenile Correctional Projects to the extent not heretofore pledged and to the extent not prohibited by the terms of such gifts, grants, appropriations, donations and pledges, (iv) all other rent, revenues and receipts, including fees and charges, derived or to be derived by the Authority from the Juvenile Correctional Projects, and (v) any other available receipts as defined in Section 152.09(A)(8) of the Ohio Revised Code, which are hereafter pledged to the payment of Bond Service Charges by any Juvenile Correctional Series Resolution.

“Juvenile Correctional Projects” means the Juvenile Correctional Projects as described herein under the caption “**THE PROJECTS – Juvenile Correctional Projects.**”

“Juvenile Correctional Rebate Fund” means the Ohio Building Authority Rebate Fund created by the Juvenile Correctional Trust Agreement, including the accounts therein, to facilitate payments of amounts due to be paid to the United States of America.

“Juvenile Correctional Refunded Bonds” means certain maturities of the currently outstanding State of Ohio (Ohio Building Authority) State Facilities Bonds (Juvenile Correctional Building Fund Projects), 2003 Series A.

“Juvenile Correctional Resolutions” means the Juvenile Correctional General Bond Resolution, as amended and supplemented to date, and the Juvenile Correctional Series 2010 Resolution.

“Juvenile Correctional Series 2010 Resolution” means Resolution No. 2010-3 adopted by the Authority on March 17, 2010.

“Juvenile Correctional Series 2010 A Bonds” means the State of Ohio (Ohio Building Authority) State Facilities Bonds (Juvenile Correctional Building Fund Projects), 2010 Series A (Tax-Exempt) authorized by the Juvenile Correctional Series 2010 Resolution to be issued in the aggregate principal amount stated on the cover page hereof.

“Juvenile Correctional Series 2010 B Bonds” means the State of Ohio (Ohio Building Authority) State Facilities Refunding Bonds (Juvenile Correctional Building Fund Projects), 2010 Series B (Tax-Exempt) authorized by the Juvenile Correctional Series 2010 Resolution to be issued in the aggregate principal amount stated on the cover page hereof.

“Juvenile Correctional Series 2010 C Bonds” means the State of Ohio (Ohio Building Authority) State Facilities Bonds (Juvenile Correctional Building Fund Projects), 2010 Series C (Federally Taxable – Build America Bonds – Direct Payment) authorized by the Juvenile Correctional Series 2010 Resolution to be issued in the aggregate principal amount stated on the cover page hereof.

“Juvenile Correctional Series 2010 Bonds” means, collectively, the Juvenile Correctional Series 2010 A Bonds, the Juvenile Correctional Series 2010 B Bonds and the Juvenile Correctional Series 2010 C Bonds.

“Juvenile Correctional Series Resolution” means a resolution of the Authority authorizing the issuance of a series of Juvenile Correctional Bonds in accordance with the Juvenile Correctional General Bond Resolution, and

includes any resolutions providing for the award, sale, terms or forms of the Juvenile Correctional Bonds authorized by an Juvenile Correctional Series Resolution.

“Juvenile Correctional Trust Agreement” means the Original Juvenile Correctional Trust Agreement, as amended and supplemented to date, and by the Thirteenth Supplemental Juvenile Correctional Trust Agreement, and unless the context indicates otherwise, includes all Supplemental Juvenile Correctional Trust Agreements.

“Juvenile Correctional Trustee” means The Bank of New York Mellon Trust Company, N.A., and any successor trustee as determined or designated under or pursuant to the Juvenile Correctional Trust Agreement.

“Leases” means collectively, the Administrative Lease, the Highway Safety Lease and the Juvenile Correctional Lease.

“Mail or “mailing” or “mailed” means sending by first class United States mail, postage prepaid.

“Original Administrative Lease” means the Lease Agreement, dated as of January 15, 1991, between the Authority and the DAS relating to the Administrative Projects.

“Original Administrative Trust Agreement” means the Trust Agreement, dated as of January 15, 1991, between the Authority and the Administrative Trustee.

“Original Highway Safety Lease” means the Amended and Restated Lease Agreement, dated as of April 1, 1996, between the Authority and the DPS relating to the Highway Safety Projects.

“Original Highway Safety Trust Agreement” means the Trust Agreement dated as of April 15, 1994 between the Authority and the Highway Safety Trustee.

“Original Juvenile Correctional Lease” means the Lease Agreement, dated as of June 1, 1990 between the Authority and the DYS relating the Juvenile Correctional Projects.

“Original Juvenile Correctional Trust Agreement” means the Trust Agreement dated as of June 1, 1990 between the Authority and the Juvenile Correctional Trustee.

“Outstanding Bonds”, “Bonds outstanding” or “outstanding” means, as of the applicable date, all Administrative Bonds which have been authenticated and delivered, or are being delivered by the Administrative Trustee under the Administrative Trust Agreement, all Highway Safety Bonds which have been authenticated and delivered, or are being delivered by the Highway Safety Trustee under the Highway Safety Trust Agreement, or all Juvenile Correctional Bonds which have been authenticated and delivered, or are being delivered by the Juvenile Correctional Trustee under the Juvenile Correctional Trust Agreement, as applicable, except:

- (i) Administrative Bonds, Highway Safety Bonds, or Juvenile Correctional Bonds canceled or retained in safekeeping on surrender, exchange or transfer or canceled because of payment of redemption at or prior to such date;
- (ii) Administrative Bonds, Highway Safety Bonds, or Juvenile Correctional Bonds for the payment, redemption or purchase for cancellation of which sufficient moneys have been deposited and credited for the purpose on or prior to that date in the Administrative Bond Service Account, the Highway Safety Bond Service Account, or the Juvenile Correctional Bond Service Account, as applicable (as defined in the applicable Trust Agreement), or other special fund or account, or with the applicable Trustee or applicable Paying Agents (whether upon or prior to the maturity or redemption date of those Bonds); provided that if any such Administrative Bonds, Highway Safety Bonds, or Juvenile Correctional Bonds are to be redeemed prior to their maturity, notice of that redemption shall have been given or arrangements satisfactory to the Administrative Trustee, the Highway Safety Trustee, or the Juvenile Correctional Trustee, as applicable, shall have been made for giving notice of that redemption, or waiver by the affected bondholders of that notice

satisfactory in form to the appropriate Trustee shall have been filed with the appropriate Trustee and provided further that if any of the Administrative Bonds, Highway Safety Bonds, or Juvenile Correctional Bonds, as applicable, are to be purchased for cancellation, a firm offer of sale stating the price has been received and accepted;

- (iii) Administrative Bonds, Highway Safety Bonds, or Juvenile Correctional Bonds which are deemed to have been paid pursuant to the provisions of the Original Administrative Trust Agreement, Original Highway Safety Trust Agreement, or Original Juvenile Correctional Trust Agreement, as applicable, or Administrative Bonds, Highway Safety Bonds, or Juvenile Correctional Bonds which are deemed to have been paid pursuant to the provisions of Administrative Series Resolutions, Highway Safety Series Resolutions, or Juvenile Correctional Series Resolutions, respectively, pertaining thereto; and
- (iv) Administrative Bonds, Highway Safety Bonds, or Juvenile Correctional Bonds in lieu of which other bonds of the same series have been authenticated (or payment of which, when due, has been made without replacement) under the Original Administrative Trust Agreement, Original Highway Safety Trust Agreement, or Original Juvenile Correctional Trust Agreement, as applicable.

“Paying Agents” means the Administrative Trustee, the Highway Safety Trustee, or the Juvenile Correctional Trustee, as applicable, and any other banks or trust companies or other financial institutions designated as additional paying agents or places for the payment of Bond Service Charges or specified Bond Service Charges on a series of Administrative Bonds, Highway Safety Bonds, or Juvenile Correctional Bonds pursuant to an Administrative Series Resolution, a Highway Safety Series Resolution, or a Juvenile Correctional Series Resolution, respectively, and their successors designated pursuant to the Administrative Trust Agreement, Highway Safety Trust Agreement, or Juvenile Correctional Trust Agreement, as applicable.

“Person” or “person” or words importing persons means firms, associations, partnerships (including, without limitation, general and limited partnerships), joint ventures, societies, estates, trusts, corporations, public or governmental bodies, other legal entities and natural persons.

“Pledged Receipts” means the Administrative Pledged Receipts, the Highway Safety Pledged Receipts, or the Juvenile Correctional Pledged Receipts, as applicable.

“Project Costs”, “project costs” or “costs of capital facilities” means the “costs of capital facilities” as defined in the Act, for which bonds may be issued by the Authority under the Act.

“Projects” means the Administrative Projects, the Highway Safety Projects and the Juvenile Correctional Projects.

“Rebate Amount” means, with respect to bonds any amount required to be paid to the United States of America under Section 148(f) of the Code.

“Register” or “Bond Register” means the books kept and maintained by the Bond Registrar pursuant to the Administrative Trust Agreement, Highway Safety Trust Agreement or the Juvenile Correctional Trust Agreement, as applicable.

“Renewal Term” means each term commencing contemporaneously with the State’s fiscal biennium for which the DAS, the DPS or the DYS has the right (or shall be deemed to have exercised the right) to renew the Administrative Lease, the Highway Safety Lease or the Juvenile Correctional Lease, respectively.

“Rental Payment Date” means any date on which rentals for the Administrative Projects, the Highway Safety Projects or the Juvenile Correctional Projects are to be paid pursuant to the Administrative Lease, the Highway Safety Lease or the Juvenile Correctional Lease, respectively.

“Rental Period” means the period of time commencing on a Rental Payment Date and ending the day preceding the next Rental Payment Date or any period of time specified as a Rental Period in a Supplemental Administrative Lease, a Supplemental Highway Safety Lease or a Supplemental Juvenile Correctional Lease, as applicable.

“Required Reserve” or “required reserve” means the amount, if any, required to be on deposit in and credited to a bond service reserve account (or provided by a Credit Support Instrument) pursuant to the Administrative Trust Agreement, the Highway Safety Trust Agreement or the Juvenile Correctional Trust Agreement applying to one or more series of the Administrative Bonds, Highway Safety Bonds or Juvenile Correctional Bonds, respectively, to which the bond service reserve account pertains.

“Series 2010 Bonds” means, collectively, the Administrative Series 2010 Bonds, the Highway Safety Series 2010 A Bonds and the Juvenile Correctional Series 2010 Bonds.

“State” means the State of Ohio.

“Supplemental Administrative Lease” means any one or more Supplemental Administrative Leases, as the same may be amended, modified or supplemented, entered into pursuant to the Original Administrative Lease.

“Supplemental Administrative Trust Agreement” means any one or more Supplemental Administrative Trust Agreements, as the same may be amended, modified or supplemented, entered into pursuant to the Original Administrative Trust Agreement, and includes where set forth therein, the applicable Administrative Series Resolution.

“Supplemental Highway Safety Lease” means any one or more Supplemental Highway Safety Leases, as the same may be amended, modified or supplemented, entered into pursuant to the Original Highway Safety Lease.

“Supplemental Highway Safety Trust Agreement” means any one or more Supplemental Highway Safety Trust Agreements, as the same may be amended, modified or supplemented, entered into pursuant to the Original Highway Safety Trust Agreement, and includes where set forth therein, the applicable Highway Safety Series Resolution.

“Supplemental Juvenile Correctional Lease” means any one or more Supplemental Juvenile Correctional Leases, as the same may be amended, modified or supplemented, entered into pursuant to the Original Juvenile Correctional Lease.

“Supplemental Juvenile Correctional Trust Agreement” means any one or more Supplemental Juvenile Correctional Trust Agreements, as the same may be amended, modified or supplemented, entered into pursuant to the Original Juvenile Correctional Trust Agreement, and includes where set forth therein, the applicable Juvenile Correctional Series Resolution.

“Thirteenth Supplemental Juvenile Correctional Lease” means the Thirteenth Supplemental Lease dated as of March 1, 2010 between the Authority and the DYS.

“Thirteenth Supplemental Juvenile Correctional Trust Agreement” means the Thirteenth Supplemental Trust Agreement dated as of March 1, 2010 between the Authority and the Juvenile Correctional Trustee.

“Treasurer” means the Treasurer of State of Ohio or the officer who by law performs the functions of that office.

“Trust Agreements” means collectively, the Administrative Trust Agreement, the Highway Safety Trust Agreement and the Juvenile Correctional Trust Agreement.

“Twentieth Supplemental Administrative Lease” means the Twentieth Supplemental Lease dated as of March 1, 2010 between the Authority and the DAS.

“Twentieth Supplemental Administrative Trust Agreement” means the Twentieth Supplemental Trust Agreement dated as of March 1, 2010 between the Authority and the Administrative Trustee.

“Underwriters” means Wells Fargo Securities, Fidelity Capital Markets, J.P. Morgan Securities Inc., Rice Financial Products Company and Stifel Nicolaus & Company.

### INFORMATION CONCERNING THE STATE OF OHIO

The following discusses certain matters relating to State finances, debt, population, employment, agriculture, resources, tax bases and related subjects. It has been provided by the State from its official records, except for information expressly attributed to other sources, to summarize and describe 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 2010 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; for example, the current fiscal biennium began July 1, 2009 and ends June 30, 2011. 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. See **Recent and Current Finances – Current Biennium** for discussion of the 2010-11 biennial appropriations.

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 GRF sources. The last complete fiscal year ended June 30, 2009 with a GRF fund balance of \$389.1 million. The State has a “rainy day” fund – the Budget Stabilization Fund (BSF) – which under current law and until used (as occurred in the 2008-2009 biennium) may carry a balance of up to 5% of the GRF revenue for the preceding Fiscal Year. The current BSF balance is \$-0-. See **Recent and Current Finances – 2008-2009** for discussion of the use of the entire BSF balance in Fiscal Year 2009.

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, he 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 had been done several times in prior fiscal years.

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.

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. Those taxes are levied by political subdivisions and local taxing districts. 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 and estate 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’ non-capital expenditures). The OBM Director’s certification is required for all expenditure vouchers before the 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 the 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 State has delivered the CAFR for Fiscal Year 2008 to each nationally-recognized municipal securities information repository and to the Ohio State Information Depository. The most recent CAFRs are accessible via OBM’s home page on the Internet at <http://obm.ohio.gov/Archives/FinancialReporting.aspx>, and copies may be obtained by contacting OBM, 30 E. Broad Street, 34<sup>th</sup> Floor, Columbus, Ohio 43215, phone (614) 466-4034. The 1990 through 2004, 2006 and 2007 CAFRs 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 **Recent and Current Finances – Current Biennium** regarding the 2010-11 biennial appropriations.

## Recent Receipts and Disbursements

The following summary statements, prepared by OBM and based on its records, include (i) governmental and proprietary appropriated funds, cash receipts including accounts receivable, 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, all as defined and included in each BFS.

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

#### Cash Receipts

SOURCE OF RECEIPTS	Fiscal Year				
	2005	2006	2007	2008	2009
Taxes:					
Personal Income(a) .....	\$9,434.5	\$9,623.2	\$9,722.9	\$9,848.2	\$9,677.6
Sales and Use(b) .....	8,146.4	7,689.0	7,747.4	7,866.3	7,402.1
Corporate Franchise(c) .....	1,111.6	1,105.9	1,125.7	754.6	710.9
Commercial Activity Tax(d) .....	0.0	273.4	594.9	961.4	1,216.2
Gasoline.....	1,671.9	1,792.5	1,719.8	1,848.4	1,747.6
Public Utilities(e).....	753.9	813.5	800.3	801.1	800.2
Cigarette(f).....	577.7	1,084.1	986.3	950.9	927.5
Foreign Insurance .....	264.0	269.0	278.0	284.6	269.1
Highway Use .....	70.5	54.9	47.6	41.3	30.4
Estate .....	60.4	54.1	72.1	61.4	64.4
Alcoholic Beverages.....	57.6	58.4	57.2	57.7	58.1
Liquor Gallonage.....	32.2	33.4	34.3	35.0	35.8
Domestic Insurance Franchise.....	171.4	170.4	169.6	159.3	160.9
Other .....	<u>64.9</u>	<u>61.6</u>	<u>60.8</u>	<u>80.6</u>	<u>107.7</u>
Total Taxes .....	22,417.0	23,083.4	23,416.9	23,750.8	23,208.5
Licenses, Permits and Fees .....	2,075.4	2,252.7	2,403.8	2,524.7	2,592.5
Sales, Services and Charges .....	1,660.5	2,025.7	1,697.5	1,771.7	1,921.2
Federal Government .....	14,815.0	15,405.8	15,432.7	15,951.9	17,231.6
Federal Government (American Recovery Act) .....	0.0	0.0	0.0	0.0	808.8
Other(g) .....	3,395.1	3,879.8	4,080.3	3,962.4	3,604.3
Proceeds from Sale of Bonds and Notes(h).....	<u>1,314.8</u>	<u>1,461.0</u>	<u>1,496.7</u>	<u>5,782.4</u>	<u>966.1</u>
Total Cash Receipts .....	\$45,677.8	\$48,108.4	\$48,527.9	\$53,743.9	\$50,333.0

- (a) Beginning in calendar year 2005 the personal income tax rate was reduced by 21% (4.2% per year over five years).  
 (b) Reflects a sales and use tax rate of 6.0% in Fiscal Years 2004 and 2005, and 5.5% in Fiscal Years 2006 and thereafter.  
 (c) Beginning in calendar year 2006, the State corporate franchise tax rate is being phased out at a rate of 20% per year over five years.  
 (d) See **TAX LEVELS AND TAX BASES** for a discussion of the commercial activity tax on gross receipts from doing business in Ohio – commenced in Fiscal Year 2006 at the initial rate of 0.06% and increased each year until reaching a rate of 0.26% in Fiscal Year 2010.  
 (e) Includes the kilowatt-hour excise tax imposed beginning in Fiscal Year 2001. Beginning in Fiscal Year 2005, local telephone service companies were moved out of the public utility tax and included under the corporate franchise and sales and use tax categories.  
 (f) Reflects a per-pack tax of \$0.55 in Fiscal Years 2003 through 2005, and \$1.25 in Fiscal Years 2006 and thereafter.  
 (g) Includes investment income and tobacco settlement receipts.  
 (h) In Fiscal Year 2008, includes \$5.05 billion in proceeds resulting from the securitization of tobacco settlement receipts.

#### Cash Disbursements

##### FUND TYPE

General Fund:					
General Revenue Fund .....	\$24,830.9	\$24,866.3	\$25,147.5	\$25,725.0	\$26,783.4
General Services Fund(i) .....	1,404.7	1,720.2	1,288.8	1,316.8	1,442.9
Special Revenue Fund(j) .....	16,438.9	17,755.4	19,114.2	19,559.8	21,144.2
Capital Projects Fund(k).....	428.8	361.2	346.4	510.0	514.6
Debt Service Fund(l).....	661.4	704.2	819.5	867.6	819.3
Enterprise Fund.....	<u>1,209.8</u>	<u>1,708.0</u>	<u>1,257.8</u>	<u>1,238.1</u>	<u>1,459.4</u>
Total Cash Disbursements .....	\$44,974.5	\$47,115.3	\$47,974.2	\$49,218.0	\$52,163.8

- (i) Includes the Internal Service Fund.  
 (j) Includes local government support disbursements.  
 (k) Includes amounts disbursed from proceeds of general obligation bonds and certain other State obligations.  
 (l) Includes the several bond retirement funds for bonds secured by a pledge of taxes and excises.

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

	<b>Fiscal Year</b>				
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Beginning Cash Balance .....	\$533.1	\$1,209.2	\$1,528.8	\$1,432.9	\$1,682.0
Cash Receipts:					
Taxes:					
Personal Income(a) .....	8,598.9	8,786.4	8,885.3	9,114.7	7,628.0
Sales and Use(b) .....	7,827.1	7,368.2	7,424.5	7,614.1	7,112.8
Corporate Franchise(c).....	1,051.6	1,054.9	1,076.5	753.5	520.8
Commercial Activity Tax(d).....	0.0	185.1	0.0	0.0	0.0
Public Utilities(e).....	443.9	501.5	487.2	388.9	320.5
Cigarette .....	577.7	1,084.1	986.3	950.9	924.8
Foreign Insurance .....	242.9	248.8	256.2	267.3	249.2
Other.....	<u>345.9</u>	<u>334.4</u>	<u>353.0</u>	<u>330.1</u>	<u>337.6</u>
Total Taxes .....	19,088.0	19,563.4	19,469.0	19,419.5	17,093.7
Federal Government .....	5,646.6	5,595.2	5,352.5	5,644.0	6,273.6
Federal Government (American Recovery Act) .....	0.0	0.0	0.0	0.0	577.1
Licenses, Permits and Fees .....	70.6	73.9	77.7	67.7	65.8
Investment Income .....	35.0	107.3	176.2	169.6	137.1
Other(f) .....	<u>158.5</u>	<u>190.7</u>	<u>143.5</u>	<u>123.4</u>	<u>104.4</u>
Total Cash Receipts.....	24,998.7	25,530.8	25,218.9	25,424.2	24,251.7
Cash Disbursements:					
Primary, Secondary and Other Education(g) .....	6,619.4	6,696.7	6,816.9	6,876.9	7,005.0
Higher Education(h).....	2,117.8	2,144.0	2,205.7	2,543.6	2,632.6
Public Assistance and Medicaid .....	10,269.9	10,166.4	10,174.0	10,274.8	11,108.5
Health and Human Services .....	1,137.1	1,186.9	1,214.9	1,283.6	1,194.6
Justice and Public Protection .....	1,753.1	1,806.9	1,876.8	2,084.5	2,088.1
Environmental Protection and Natural Resources .....	99.2	83.2	83.4	101.6	89.6
Transportation .....	30.6	25.7	22.0	22.6	21.4
General Government .....	241.1	246.9	247.1	357.7	354.4
Community and Economic Development.....	120.8	112.4	104.3	133.8	146.3
Tax Relief(i) and Other .....	1,408.8	1,334.0	1,230.0	1,386.0	1,526.2
Capital Outlay.....	0.0	0.2	0.1	0.1	0.3
Debt Service(j).....	<u>1,033.1</u>	<u>1,063.0</u>	<u>1,172.3</u>	<u>656.5</u>	<u>616.3</u>
Total Cash Disbursements.....	24,830.9	24,866.3	25,147.5	25,721.8	26,783.4
Cash Transfers:					
Transfers-in(k) .....	551.8	315.2	559.5	1,235.0	2,432.8
Transfers-out(l) .....	<u>(43.5)</u>	<u>(660.1)</u>	<u>(726.8)</u>	<u>(688.4)</u>	<u>(848.6)</u>
Total Cash Transfers (net).....	508.3	(344.9)	(167.3)	546.6	1,584.2
Ending Cash Balance .....	\$1,209.2	\$1,528.8	\$1,432.9	\$1,682.0	\$734.5

- (a) Beginning in calendar year 2005 the personal income tax rate was reduced by 21% (4.2% per year over five years).
- (b) Reflects a sales and use tax rate of 6.0% in Fiscal Years 2004 and 2005, and 5.5% in Fiscal Years 2006 and thereafter.
- (c) Beginning in calendar year 2006, the State corporate franchise tax rate is being phased out at a rate of 20% per year over five years.
- (d) See **TAX LEVELS AND TAX BASES** for a discussion of the commercial activity tax on gross receipts from doing business in Ohio – commenced in Fiscal Year 2006 at the initial rate of 0.06% and increased each year until reaching a rate of 0.26% in Fiscal Year 2010.
- (e) Includes the kilowatt-hour excise tax imposed beginning in Fiscal Year 2001. Beginning in Fiscal Year 2005, local telephone service companies were moved out of the public utility tax and included under the corporate franchise and sales and use tax categories.
- (f) Includes fines and penalties, rental receipts, refunds and certain intrastate transfers.
- (g) Mainly subsidies to local school districts.
- (h) Mainly subsidies to colleges and universities. Higher education institutions maintain their own discrete funds and accounts.
- (i) State reimbursements to taxing subdivisions for the 12.5% property tax rollback granted to homeowners of real property (10% for commercial and industrial property until 2006), for partial real property 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. This program's cost to the State is determined by total property taxes levied on the local level.
- (j) In Fiscal Years 2005 through 2007, includes debt service on general obligations, lease-rental obligations and certain other State obligations paid from the GRF. Beginning in Fiscal Year 2008, includes only debt service on general obligations with debt service on other obligations reflected in the applicable program area.
- (k) Includes transfers in all fiscal years from the School District Property Tax Replacement Fund and from liquor profits; in Fiscal Year 2005, \$316.8 million from federal fiscal relief monies; in Fiscal Year 2008 \$95.8 million from interest earnings on tobacco securitization proceeds; and in Fiscal Year 2009 \$176.2 million from interest earnings on tobacco securitization proceeds and \$1.01 billion from the BSF.
- (l) Fiscal Year 2006 transfers include \$60 million to the Public Assistance Reconciliation Fund (i.e., TANF), \$50 million to the Public School Building Fund, \$40 million to the Disaster Services Fund; and to the BSF, \$435.9 million in Fiscal Year 2006 and \$395.6 million in Fiscal Year 2007.

## 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 is reduced during less favorable national economic periods and then increases during more favorable economic periods. The GRF ending fund balance for Fiscal Year 2009 was \$389.1 million. Recent biennium-ending GRF balances were:

<b>Biennium</b>	<b>Cash Balance</b>	<b>Fund Balance(a)</b>	<b>Fund Balance less Designated Transfers(b)</b>
1998-99	\$1,512,528,000	\$976,778,000	\$221,519,000
2000-01	817,069,000	219,414,000	206,310,000
2002-03	396,539,000	52,338,000	52,338,000
2004-05	1,209,200,000	682,632,000	127,800,000
2006-07	1,432,925,000	215,534,000	215,534,000
2008-09	734,526,000	389,103,000	389,103,000

(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 were or are being applied to appropriations or expenditures needed for debt service or lease payments relating to any State obligations.

The appropriations acts for the 2010-11 biennium include all necessary appropriations for debt service on State obligations and for lease payments relating to lease rental obligations issued by the Ohio Building Authority and the Treasurer of State, and previously by the Ohio Public Facilities Commission.

The following is a selective general discussion of State finances, particularly GRF receipts and expenditures, for recent and the current bienniums. As evidenced by 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

#### 2000-01

The State's financial situation varied substantially in the 2000-01 biennium. The first Fiscal Year of the biennium ended with a GRF cash balance of \$1.506 billion and a fund balance of \$855.8 million. A transfer of \$49.2 million from that balance increased the BSF to \$1.002 billion (or 5% of GRF revenue for the preceding Fiscal Year). An additional \$610.4 million was transferred to the ITRF.

In the middle of the second year of the biennium, the State enacted supplemental appropriations of \$645.3 million to address shortfalls in its Medicaid and disability assistance programs. The State's share of this additional funding was \$247.6 million, with \$125 million coming from Fiscal Year 2001 GRF spending reductions and the remainder from available GRF moneys. The reductions were implemented by OBM prior to March 1, 2001 applying a 1 to 2% cut to most State departments and agencies. Expressly excluded from the reductions were debt service and lease rental payments relating to State obligations, and elementary and secondary education.

In March 2001, new lowered revenue estimates for Fiscal Year 2001 and for Fiscal Years 2002 and 2003 were announced. Based on indications that the Ohio economy continued to be affected by the national economic

downturn, GRF revenue estimates for Fiscal Year 2001 were reduced by \$288 million. In addition, OBM projected higher than previously anticipated Medicaid expenditures. Among the more significant steps taken to ensure the positive GRF ending fund balance at June 30, 2001 were further spending reductions (with the same exceptions noted above for debt service and education) and authorization to transfer from the BSF to the GRF amounts necessary to ensure an ending GRF fund balance of \$188.2 million. The State ended Fiscal Year 2001 with a GRF fund balance of \$219.4 million, making that transfer unnecessary.

### 2002-03

Ongoing and rigorous consideration was given by the Governor and the General Assembly to revenues and expenditures throughout Fiscal Years 2002-03, primarily as a result of continuing weak economic conditions, with budgetary pressures during this period primarily due to lower than anticipated levels of receipts from certain major revenue sources.

Consideration came in four general time frames – the June 2001 biennial appropriation Act, late fall/early winter 2001, late spring and summer 2002, and late winter/spring 2003. Significant remedial steps included authorization to draw down and use the entire BSF balance, increased cigarette taxes, and use of tobacco settlement moneys previously earmarked for other purposes.

The biennial GRF appropriations Act passed in June 2001 provided for biennial GRF expenditures of approximately \$45.1 billion without increases in any major State taxes. That Act and the separate appropriations acts for the biennium included all necessary debt service and lease rental payments related to State obligations. That original appropriations act also provided for transfers to the GRF of \$160 million from the BSF and \$100 million from the Family Services Stabilization Fund aimed at achieving Fiscal Year and biennium ending positive GRF fund balances, based on then current estimates and projections.

The Ohio economy continued to be negatively affected by the national economic downturn and by national and international events, and in October 2001 OBM lowered its GRF revenue estimates and projected GRF revenue shortfalls of \$709 million for Fiscal Year 2002 and \$763 million for Fiscal Year 2003. Executive and legislative actions taken to address those shortfalls included:

- Spending reductions and limits on hiring and major purchases. Governor ordered spending reductions were at the annual rate of 6% for most State agencies, with lesser reductions for correctional and other institutional agencies, and with exemptions for debt service related payments, primary and secondary education and the adjutant general.
- December 2001 legislation, the more significant aspects of which included authorizing the additional transfer of up to \$248 million from the BSF to the GRF during the current biennium thereby reducing the estimated BSF balance to \$607 million; reallocating to the GRF a \$260 million portion of tobacco settlement receipts in Fiscal Years 2002 and 2003; and authorizing Ohio's participation in a multi-state lottery game estimated to generate approximately \$40 million annually beginning in Fiscal Year 2003.

Continuing weak economic conditions and lower than anticipated personal income and corporate franchise tax receipts then led OBM in the spring of 2002 to project higher estimated GRF revenue shortfalls of approximately \$763 million in Fiscal Year 2002 and \$1.15 billion in Fiscal Year 2003. Further executive and legislative actions were taken to ensure positive GRF fund balances for Fiscal Year 2002 and the biennium. In addition to further appropriation reductions for certain departments and other management steps, those actions included legislation providing for: additional transfers to the GRF of the then remaining BSF balance (\$607 million) as needed in Fiscal Years 2002 and 2003, and of \$50.8 million of unclaimed funds; a \$50 million reduction in the Fiscal Year 2002 ending GRF balance to \$100 million; increasing the cigarette tax by 31¢ per pack (to a total of 55¢ per pack) estimated by OBM to produce approximately \$283 million in Fiscal Year 2003; additional transfers to the GRF of \$345 million from tobacco settlement moneys received in Fiscal Years 2002 and 2003 previously earmarked for construction of elementary and secondary school facilities and replacing the moneys for that purpose with authorized general obligation bonds; and extension of the State income tax to Ohio-based trusts and “decoupling” certain Ohio business taxes from federal tax law economic stimulus changes affecting business equipment depreciation schedules to produce approximately \$283 million in Fiscal Year 2003.

Fiscal Year 2002 ended with positive GRF balances of \$108.3 million (fund) and \$619.2 million (cash) based on the remedial steps described above, including transfers of \$289.6 million from tobacco settlement

moneys and \$534.3 million from the BSF (leaving a Fiscal Year 2002 ending BSF balance of \$427.9 million, with that entire balance appropriated for GRF use if needed in Fiscal Year 2003).

On July 1, 2002, the Governor issued an executive order directing a total of approximately \$375 million in GRF spending cutbacks for Fiscal Year 2003 reflecting prior budget balancing discussions with the General Assembly. Excluded from those department and agency cutbacks ranging up to 15% were elementary and secondary education, higher education, alcohol and drug addiction services, and the adjutant general. Also expressly excluded were debt service and lease rental payments relating to State obligations, and ad valorem property tax relief payments (made to local taxing entities).

Based on continuing reduced revenue collections (particularly, personal income taxes and sales tax receipts) and projected additional Medicaid spending, OBM in late January 2003 announced an additional Fiscal Year 2003 GRF shortfall of \$720 million. The Governor ordered immediate additional reductions in spending intended to generate an estimated \$121.6 million of GRF savings through the end of the Fiscal Year (expressly exempted were appropriations for or relating to debt service on State obligations).

The Governor also proposed and the General Assembly enacted by March 1, 2003, the following additional revenue enhancements, transfers and expenditure reductions for Fiscal Year 2003 to achieve a positive GRF fund balance at June 30, 2003 as then estimated by OBM: An additional 2.5% reduction in local government fund distributions to most subdivisions and local libraries, producing an estimated \$30 million savings; transfers of \$56.4 million to the GRF from unclaimed funds and various rotary funds; and a one-month acceleration in sales tax collections by vendors filing electronically to produce \$286 million.

To offset the General Assembly's enactment of legislation that did not include proposed additional taxes on cigarettes and liquor, beer and wine, the Governor on March 25 ordered additional reductions in GRF appropriations spending aggregating \$142.5 million for the balance of Fiscal Year 2003. Included were reductions (generally at an annualized rate of 2.5%) of \$90.6 million in State foundation and parity aid to school districts and an additional \$9.3 million in Department of Education administration spending, \$39.2 million in instructional support to higher education institutions, and other selected reductions totaling \$3.4 million. The Governor also identified approximately \$20 million in excess food stamp administration funds available to offset the need for further expenditure reductions. Expressly excepted from those reductions were appropriations for or relating to debt service on State obligations.

Based on the Administration's continuing monitoring of revenues, and as an anticipated step in the then ongoing 2004-05 biennial budget and appropriations process, OBM reported revised revenue estimates to the General Assembly on June 11, 2003. Those estimates revised Fiscal Year 2003 revenues downward by an additional \$200 million from OBM's January 2003 adjusted baseline, based primarily on updated income and sales tax receipts through May 31. The Governor and OBM addressed this additional Fiscal Year 2003 revenue shortfall through additional expenditure controls and by drawing upon \$193 million of federal block grant aid made available to the State prior to June 30 under a federal law effective on May 28, 2003.

The State ended the 2002-03 biennium with a GRF cash and fund balances of \$396.5 million and \$52.3 million, respectively, and a balance in the BSF of \$180.7 million.

Additional appropriations actions during the 2002-03 biennium, affecting most subdivisions and local libraries in the State, related to the various local government assistance funds. The original appropriations act capped the amount to be distributed in Fiscal Years 2002 and 2003 to essentially the equivalent monthly payment amounts in Fiscal Years 2000 and 2001. Subsequent legislation amended the level to the lesser of those prior Fiscal Year amounts or the amount that would have been distributed under the standard formula.

#### **2004-05**

The GRF appropriations Act for the 2004-05 biennium was passed by the General Assembly and signed (with selective vetoes) by the Governor in June 2003. The Act provided for total GRF biennial revenue of approximately \$48.95 billion and total GRF biennial expenditures of approximately \$48.79 billion. That Act and the separate appropriations acts for the biennium included all necessary debt service and lease-rental payments related to State obligations.

Among other expenditure controls, the Act included Medicaid cost containment measures including pharmacy cost management initiatives, limited expenditure growth for institutional services and implementation of managed care for higher-cost populations; continued phase-out of certain tangible personal property tax relief

payments to local governments; the closing by consolidation of three institutional facilities during the biennium; adjustments in eligibility guidelines for subsidized child care from 185% to 150% of the federal poverty level and freezing certain reimbursement rates; no compensation increases for most State employees in Fiscal Year 2004 and limited one-time increases in Fiscal Year 2005; and continued the limitation on local government assistance fund distributions to most subdivisions and local libraries to the lesser of the equivalent monthly payments in Fiscal Year 2003 or the amount that would have been distributed under the standard formula.

The GRF expenditure authorizations for the 2004-05 biennium reflected and were supported by revenue enhancement actions contained in the Act including:

- A one-cent increase in the State sales tax (to six percent) for the biennium (expiring June 30, 2005), projected to generate approximately \$1.25 billion in each Fiscal Year.
- Expansion of the sales tax base to include dry-cleaning/laundry services, towing, personal care and other services, and satellite television, projected in the aggregate to produce approximately \$69 million annually. On February 12, 2009, an Ohio appeals court overruled a 2007 trial court decision and upheld the inclusion of satellite television in the sales tax base, which produces approximately \$36 million annually. The Ohio Supreme Court has accepted jurisdiction over an appeal.
- Moving local telephone companies from the public utility tax base to the corporate franchise and sales tax, projected to produce approximately \$29 million annually.
- Elimination of the sales tax exemption for WATS and 800 telecom services coupled with the enactment of a more limited exemption for call centers, projected to produce approximately \$64 million annually.
- Adjustments in the corporate franchise tax through the adoption of the Uniform Division of Income for Tax Purposes Act (UDITPA) for apportionment of business income among states, and an increase in the corporate alternative minimum tax, projected in the aggregate to produce approximately \$35 million annually.

The Act also authorized and OBM on June 30, 2004 transferred \$234.7 million of proceeds received from the national tobacco settlement into the GRF. In addition, the Act authorized the draw down during the biennium of federal block grant and Medicaid assistance aid made available to the State under a federal law effective May 28, 2003. OBM drew down \$211.6 million and \$316.8 million of those federal monies in Fiscal Years 2004 and 2005, respectively.

Based on regular monitoring of revenues and expenditures, OBM in March 2004 announced revised GRF revenue projections for Fiscal Years 2004 and 2005 based primarily on reduced revenue collections from personal income taxes. In response to OBM reducing its GRF revenue projection by \$247.1 million (1.02%) for Fiscal Year 2004 and by \$372.7 million (1.48%) for Fiscal Year 2005, the Governor ordered Fiscal Year 2004 expenditure reductions of approximately \$100 million. On July 1, 2004 the Governor ordered additional Fiscal Year 2005 expenditure cuts of approximately \$118 million and a reduction of \$50 million in State spending on Medicaid reflecting an increased Federal share of certain Medicaid services. Expressly excluded from those reductions were debt service and lease rental payments relating to State obligations, State basic aid to elementary and secondary education, instructional subsidies and scholarships for public higher education, in-home care for seniors and certain job creation programs. The balance of those revenue reductions were offset by GRF expenditure lapses and, for Fiscal Year 2005, elimination of an anticipated \$100 million year-end transfer to the BSF while maintaining a one-half percent year-end GRF fund balance.

The State ended Fiscal Year 2004 with a GRF fund balance of \$157.5 million. Improving economic conditions had a positive effect on revenue in Fiscal Year 2005. With GRF revenue receipts modestly outperforming estimates for much of the Fiscal Year, OBM in June 2005 increased its GRF revenue estimates by \$470.7 million. Final Fiscal Year 2005 GRF revenue came in \$67.4 million above that revised estimate. With Fiscal Year 2005 spending close to original estimates, the State made the following Fiscal Year-end allocations and transfers: \$60 million to address a prior-year liability in the Temporary Assistance to Needy Families (TANF) program; \$40 million to a disaster services contingency fund; \$50 million to the State's share of the school facilities construction program; and \$394.2 million to the BSF. After these and certain smaller transfers, the State ended Fiscal Year 2005 and the biennium with a GRF fund balance of \$127.8 million and a BSF balance of \$574.2 million.

## 2006-07

Consistent with State law, the Governor's Executive Budget for the 2006-07 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 revenue of approximately \$51.5 billion (a 3.8% increase over 2004-05 biennial revenue) and total GRF biennial appropriations of approximately \$51.3 billion (a 5.0% increase over 2004-05 biennial expenditures). 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 – Current Biennium** 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 at a rate of approximately 20% per year over the 2006 through 2010 tax years (except for its continuing application to financial institutions and certain affiliates of insurance companies and financial institutions).
- 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. In fiscal year 2010, the CAT is being levied at its fully phased-in rate of 0.26% on gross receipts in excess of \$1,000,000. (See **Tax Bases and Tax Levels** 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.) The fully implemented CAT is projected to produce \$1.68 billion annually with \$139 million of that amount attributable to its application to motor fuels. Litigation filed in March 2008 is currently pending before a trial court challenging the application of the CAT to motor fuels and requesting an order enjoining the collection of that tax and such other relief as the court deems appropriate. On September 17, 2009, the Ohio Supreme Court ruled in litigation initiated in 2006 that food sales for off-premise consumption may be included in the CAT base.
- A 5.5% State sales and use tax (decreased from the 6.0% rate for the 2004-05 biennium).
- An increase in the cigarette tax from \$0.55 per pack (of 20 cigarettes) to \$1.25 per pack.

The then 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 and then applies an annual growth factor of 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. GRF appropriations for State debt service payments are expressly excepted from this statutory limitation. 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.

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 2007 with a GRF cash balance of \$1.433 billion and a GRF fund balance of \$215.5 million.

## 2008-09

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 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 and the GRF appropriations Act complied with the law discussed above under **2006-07** limiting appropriations for the 2008-09 biennium. 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 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 set percent of all tax revenues deposited into the GRF. Local governments will receive 3.7% of total GRF tax revenues annually and local libraries will receive 2.22% of total GRF tax revenues annually.
- 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 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 in Tobacco Settlement Asset-Backed Bonds, Series 2007 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 is funding the expansion of the homestead exemption property tax relief program in the Act. The Act reprograms 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. Except for Fiscal Years 2002 through 2004, none of the receipts were applied to existing operating programs of the State. Under those previously enacted allocations, the largest amount was to be applied to elementary and secondary school capital expenditures, 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:

- The Governor, on January 31, 2008, 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 has been 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 are 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 totaling \$120 million 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 the State's Tobacco Settlement Asset-Backed Bonds.

In March 2008, in response to the national economic downturn, the Governor proposed a \$1.7 billion economic stimulus plan to stimulate the Ohio economy through investments in logistics and distribution, bio-products and bio-medical research, advanced and renewable energy, local government infrastructure, conservation projects and brownfield revitalization projects. These investments were to be funded primarily through new GRF bond-backed capital appropriations. After extensive hearings and review, the General Assembly in June passed a \$1.57 billion economic stimulus package that mirrored the purposes proposed by the Governor and added funding for higher education workforce programs and expanded the State's historic preservation tax credits. The sources of funding for the stimulus plan include, in addition to GRF-backed bonds, \$230 million of cash from the Ohio Tobacco Prevention Foundation (this transfer is subject to a pending legal challenge described below under **Current Biennium**), \$370 million in GRF operating appropriations to have been made over the next five fiscal years, \$184 million in bonds backed by net profit from the State's liquor enterprise, and \$200 million in bonds backed by highway user receipts.

*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 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 cost expenditures.

The \$198.3 million balance was offset by a 4.75% reduction in most agency appropriations, which does 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 budgetary shortfall of the same amount. Executive actions announced to offset much of that 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, the Departments of Rehabilitation and Corrections and Youth Services and selected 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, 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 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. 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 ordered by the Governor on April 22.

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 represents the one-half of one percent of Fiscal Year 2009 GRF revenues the State is required to maintain as an ending fund balance.

### **Current Biennium**

Consistent with State law, the Governor’s Executive Budget for the 2010-11 biennium was released in February 2009 and introduced in the General Assembly. After extended hearings and review, and after passage by the General Assembly and signing by the Governor of three seven-day interim budgets, the 2010-11 biennial appropriations Act 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 period and under the final Act. Reflecting the final implementation of the restructuring of State taxes commenced in 2006-07 and a conservative underlying economic forecast, that Act makes total GRF biennial appropriations of approximately \$50.5 billion (a 3.8% decrease from the 2008-09 biennial expenditures) based on GRF biennial estimated revenues of approximately \$51.1 billion (a 4.2% decrease from the 2008-09 biennial revenues). Appropriations for major program categories compared to 2008-09 actual spending reflect increases of 3.4% for Medicaid (that Act also included a number of Medicaid reform and cost containment initiatives) 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. That Act also includes the restructuring of \$736 million of Fiscal Years 2010 and 2011 general revenue fund debt service into Fiscal Years 2012 through 2025. Both the Executive Budget and the GRF appropriations Act complied with the law discussed above under **2006-07** limiting most GRF appropriations.

Major new or recurring sources of revenues reflected in the 2010-11 appropriations Act include:

- \$2.4 billion of “Federal Stimulus” funding received under the American Recovery and Reinvestment Act of 2009, including \$1.464 billion for elementary and secondary education, \$628 million for Federal Medical Assistance Payments, and \$326 million for other purposes.
- \$933 million in gaming and license revenues (\$296 million in Fiscal Year 2010 and \$637 million in Fiscal Year 2011) 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 approximately \$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 enacted in the biennial appropriations Act in support of implementation of those VLTs are subject to voter referendum and granted petitioners in that case until December 20, 2009 to submit referendum petitions. Under the referendum provisions of the Ohio Constitution, if referendum petitions are submitted containing at least 241,366 valid signatures (six per cent of the electors of the State) with at least half of those signatures from 44 of the State's 88 counties, those statutory provisions for VLTs will not take effect "unless and until approved by a majority of those [electors] voting upon the same" at an election held on November 2, 2010. After review of the signatures on the petitions submitted by that December 20 deadline, the Ohio Secretary of State, on January 29, notified the committee for the petitioners that the number of valid signatures had fallen short by 27,065. Under the referendum provisions of the Ohio constitution, the committee had ten days from January 29 to file the additional valid signatures to place the issue on the November 2, 2010 ballot. On February 8 the committee filed petitions with 177,307 additional signatures which are now being reviewed.

- \$259 million from the Ohio Tobacco Use Prevention and Control Foundation Endowment Fund (TUPAC) to be deposited into a special State fund (non-GRF) to be used for various health care initiatives. On August 11, 2009, a trial court ruled in favor of the plaintiffs and ordered these monies must remain in that endowment fund and be used for the purpose of reducing tobacco use. The State immediately appealed this trial court ruling and on December 31, 2009, the Court of Appeals ruled in favor of the State and reversed the trial court's order. Plaintiffs appealed the Court of Appeals decision to the Ohio Supreme Court which was accepted on March 10, 2010.
- \$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 funds (anticipated to be replaced with bond funding of school facilities in future biennia), \$272 million savings from subjecting State employees to a two week unpaid "furlough" during each year of the biennium, \$84.3 million from a reduction in State funding to public libraries funding, 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 response to the above-referenced September 21 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 currently scheduled to take effect for tax year 2009 (for returns filed in 2010). See **TAX LEVELS AND TAX BASES – Personal Income Tax**. 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. The Ohio Department of Taxation estimates the postponement will result in \$844 million of additional State GRF tax revenues in the current biennium (\$418 million in Fiscal Year 2010 and \$426 million in Fiscal Year 2011).

OBM is currently projecting a positive GRF fund balance at the end of each Fiscal Year and biennium. 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 developments (including pending litigation) affecting both, and prepares a financial report summarizing its analyses at the end of each month. The most recent Monthly Financial Reports are accessible via OBM's home page at <http://obm.ohio.gov/MiscPages/MonthlyFinancialReports/>, and copies are 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 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, but that limitation has been suspended for Fiscal Year 2010 and Fiscal Year 2011.

The State plans for and manages monthly GRF cash flow deficiencies within each Fiscal Year. GRF cash flow deficiencies have been and are expected by OBM to remain 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 may incur debt to cover casual deficits or to address failures in revenues or to meet expenses not otherwise provided for, but limited in amount to \$750,000. 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 19 constitutional amendments approved from 1921 to present, Ohio voters have authorized the incurrence of State general obligation (GO) debt and the pledge of taxes or excises to its payment, all related to the financing of capital facilities, except for four that funded bonuses for veterans, one that funded coal technology research and development, and one for 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, 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 specified purposes by Section 2i of Article VIII of the Constitution. Debt service payments are subject to biennial appropriations by the General Assembly pursuant to leases or agreements entered into by the State.

The Ohio Building Authority (OBA) issues special obligations 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) and the Department of Public Safety (DPS); juvenile detention facilities for the Department of Youth Services (DYS); Department of Rehabilitation and Correction (DRC) prisons and correctional facilities including certain local and community-based facilities; office buildings for the Bureau of Workers' Compensation (BWC) and Department of Natural Resources (DNR); and school district technology and security facilities. The Treasurer of State also issues obligations for mental health, parks and recreation, and cultural facilities purposes and to refund certain bonds previously issued for higher education purposes, and has previously issued obligations for elementary and secondary school facilities. Debt service on obligations issued under Section 2i of Article VIII is paid from GRF appropriations, with the exception of debt issued for ODOT and DPS facilities (paid from highway user receipts) and for BWC facilities (paid from the BWC Administrative Cost Fund).

*Federal Highway Grant Anticipation Revenue (GARVEE) Bonds.* In addition to its issuance of highway bonds, the State has financed selected highway infrastructure projects by issuing bonds and entering into agreements that call for debt service payments to be made from federal 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 \$147.2 million in Fiscal Year 2010. In the event of

any insufficiency in the anticipated federal allocations to make payments on State bonds, the payments are to be made from any lawfully available moneys appropriated to ODOT for the purpose.

*Economic Development and Revitalization.* A statewide economic development program assists the financing of facilities and equipment for industry, commerce, research and distribution, including technology innovation, by providing loans and loan guarantees. The law authorizes the issuance of State bonds and notes secured by a pledge of portions of the State profits from liquor sales. The General Assembly has authorized the issuance of these obligations with a maximum of \$630 million to be outstanding at any one time, of which not more than \$84 million may be issued for eligible advanced energy projects and not more than \$100 million may be issued for eligible logistics and distribution projects. The aggregate amount of net liquor profit to be used in any Fiscal Year to pay debt service on these economic development bonds may not exceed \$63 million. Pursuant to constitutional authority discussed below under **Additional Authorizations**, the State has issued \$200 million of bonds for revitalization purposes that are also payable from a separate, subordinate pledge of State liquor profits. The maximum annual debt service on all state bonds payable from State net liquor profits is \$59.2 million in Fiscal Year 2012.

*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 \$30.5 million in Fiscal Year 2013 and the total GRF-supported principal amount outstanding is \$227.1 million. Payments by the State are subject to biennial appropriations by the General Assembly with the lease terms subject to renewal if appropriations are made. The OBM Director's approval of such agreements 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 Commission. By judicial interpretation, such revenue bonds do not constitute "debt" under the constitutional provisions described above. The Constitution authorizes State bonds for certain housing purposes (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**.

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### Variable Rate Debt and Interest Rate Swaps

The State currently has \$688,640,000 in outstanding general obligation variable rate debt as follows with liquidity provided by the State for all of these issues:

<u>Dated Date</u>	<u>Outstanding</u>	<u>Purpose</u>	<u>Series</u>	<u>Rate Period</u>	<u>Final Maturity</u>
11/29/01	\$63,900,000	Infrastructure	2001B	Weekly	8/1/2021
2/26/03	101,770,000	Infrastructure	2003B	Weekly	8/1/2017
3/20/03	58,085,000	Infrastructure	2003D	Weekly	2/1/2019
12/15/03	67,000,000	Common Schools	2003D	Weekly	3/15/2024
3/3/04	55,295,000	Infrastructure	2004A	Weekly	2/1/2023
4/1/05	166,350,000	Common Schools	2005A/B	Weekly	3/15/2025
6/7/06	176,240,000	Common Schools	2006B/C	Weekly	6/15/2026

As part of its debt management, the State is also party to the following interest rate swap agreements:

<u>Type</u>	<u>Outstanding Notional Amount</u>	<u>Related Bond Series</u>	<u>State Pays</u>	<u>State Receives</u>	<u>Effective Date</u>	<u>Termination Date</u>
Floating-to-Fixed	\$63,900,000	Infrastructure 2001B	4.630%	SIFMA <sup>1</sup>	11/29/2001	8/1/2021
Floating-to-Fixed	67,000,000	Common Schools 2003D	3.414%	LIBOR <sup>2</sup>	9/14/2007	3/15/2024
Floating-to-Fixed	55,295,000	Infrastructure 2004A	3.510%	LIBOR <sup>2</sup>	3/3/2004	2/1/2023
Floating-to-Fixed	166,350,000	Common Schools 2005A/B	3.750%	LIBOR <sup>2,3</sup>	3/15/2007	3/15/2025
Floating-to-Fixed	176,240,000	Common Schools 2006B/C	3.202%	LIBOR <sup>2</sup>	6/15/2006	6/15/2026

<sup>1</sup> Securities Industry and Financial Markets Association (SIFMA) weekly variable rate index.

<sup>2</sup> Variable interest rate based on a percentage of one-month London Inter-Bank Offered Rate (LIBOR) plus a fixed increment.

<sup>3</sup> Variable interest rate based on 62% of 10-year LIBOR beginning March 15, 2010.

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 bonds of those categories would exceed 5% of the total of estimated GRF revenues plus net State lottery proceeds for the Fiscal Year of issuance. Those direct obligations of the State include general obligation and special obligation bonds 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 summary of current State debt obligations, including the Series 2010 Bonds. The General Assembly has appropriated sufficient moneys to meet debt service requirements for the current biennium (ending June 30, 2011) on all of the obligations included in this and the accompanying tables.

	<b>Authorized by General Assembly</b>	<b>Issued(a)</b>	<b>Outstanding(b)</b>
<b><u>Obligations Payable from the GRF</u></b>			
<b><u>General Obligations</u></b>			
Coal Development(c)	\$231,000,000	\$198,000,000	\$58,245,000
Infrastructure(d)	2,880,000,000	2,759,986,136	1,578,920,636(e)
Natural Resources(f)	350,000,000	325,000,000	158,705,000
Common School Facilities(g)	3,345,000,000	3,290,000,000	2,651,440,000(e)
Higher Education Facilities(g)	2,613,000,000	2,000,000,000	1,486,175,000
Conservation(h)	300,000,000	250,000,000	192,840,000
Research & Development(i)	450,000,000	255,700,000	224,345,000
Site Development(j)	120,000,000	75,000,000	66,735,000
Veterans Compensation(k)	200,000,000	-0-	-0-
<b><u>Special Obligations</u></b>			
DRC Prison Facilities	\$1,943,000,000	\$1,799,500,000	\$638,155,000
DYS Facilities	304,000,000	282,000,000	151,845,000
DAS Facilities	1,646,000,000	1,613,300,000	722,415,000
Cultural & Sports Facilities	512,000,000	458,690,000	178,200,000
Higher Education Facilities	4,817,590,000	4,817,590,000	237,730,000
Mental Health Facilities	1,517,000,000	1,392,085,000	224,280,000
Parks & Recreation Facilities	418,000,000	378,000,000	132,365,000
<b><u>Obligations Payable from Non-GRF Sources</u></b>			
<b><u>Highway User Receipts</u></b>			
G.O. Highway(l)	\$2,772,000,000	\$1,945,000,000	\$678,500,000
ODOT Facilities	155,800,000	155,800,000	1,770,000
DPS Facilities	143,000,000	140,285,000	37,855,000
<b><u>Net Liquor Profits</u></b>			
Economic Development(m)	n.a.	\$486,740,000	\$389,235,000
Revitalization Projects(n)	300,000,000	200,000,000	163,060,000
<b><u>Other</u></b>			
ODOT Highway Infrastructure(o)	n.a.	\$1,362,250,000	\$739,940,000
BWC Facilities(p)	214,255,000	214,255,000	78,800,000

(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 \$120,000,000 may be issued in each of the first five fiscal years beginning with Fiscal Year 2008 and not more than \$150,000,000 may be issued in each of the five fiscal years thereafter, plus any obligations unissued from previous fiscal years.

(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.

(g) Amounts of general obligations authorized for common school and higher education facilities have been reduced by \$800,000,000 and \$950,000,000, respectively, to reflect a portion of the amount of obligations issued for those purposes by the Buckeye Tobacco Settlement Financing Authority described under **FISCAL MATTERS –Recent and Current Finances – 2008-09**.

(h) 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.

(i) Not more than \$100,000,000 may be issued in each of the first three Fiscal Years and not more than \$50,000,000 in any other Fiscal Year.

(j) Not more than \$30,000,000 may be issued in each of the first three Fiscal Years and not more than \$15,000,000 in any other Fiscal Year.

(k) Constitutional authorization is self-implementing and does not require further General Assembly authorization. Not more than \$200,000,000 may be issued and no obligations may be issued later than December 31, 2013.

(l) Not more than \$220,000,000 may be issued in any year and not more than \$1.2 billion may be outstanding at any time.

(m) Revenue obligations issued for economic development assistance programs established under Chapter 166 of the Ohio Revised Code, including the Innovation Ohio and research and development programs. Not more than \$630,000,000 may be outstanding at any time.

(n) Net liquor profits are statutorily designated as the source of payment of debt service.

(o) Debt service on these “GARVEE” bonds is paid from federal transportation grants apportioned to the State (Title 23 of the U.S. Code).

(p) Debt service is paid from appropriations from the BWC Administrative Cost Fund.

The following table shows total Fiscal Year debt service on currently outstanding State obligations payable from the GRF, including the Administrative Series 2010A Bonds, Administrative Series 2010B Bonds, Juvenile Correctional Series 2010A Bonds, Juvenile Correctional Series 2010B Bonds and Juvenile Correctional Series 2010C Bonds:

## Annual Debt Service Requirements on State Obligations Paid from the GRF

FY	General Obligations			Special Obligations		Total GRF Debt Service		
	Education(a)	Infra-structure(b)	All Other(c)	Treasurer(d)	OBA(e)	Principal	Interest	Total
2010	\$221,244,042	\$108,756,058	\$78,897,269	\$212,843,222	\$90,280,260	\$323,505,576	\$388,308,393	\$711,813,970
2011	254,705,366	151,824,833	92,258,441	195,076,436	222,598,943	500,337,787	416,126,231	916,464,018
2012	429,983,840	204,727,226	98,417,991	166,507,183	216,784,715	722,261,933	394,159,022	1,116,420,955
2013	435,912,963	197,068,923	94,702,459	134,749,326	196,350,437	692,522,649	366,261,458	1,058,784,108
2014	448,781,239	193,661,506	100,037,738	78,919,098	186,946,718	693,846,268	314,500,032	1,008,346,300
2015	439,577,801	175,875,614	96,530,597	69,513,273	177,849,266	682,553,397	276,793,153	959,346,550
2016	434,139,788	170,303,873	80,226,256	62,376,474	155,875,288	660,138,600	242,783,078	902,921,679
2017	427,429,879	159,004,856	73,433,817	48,407,649	138,473,788	635,390,000	211,359,988	846,749,988
2018	409,112,882	145,891,061	64,652,911	43,458,271	127,460,407	607,880,000	182,695,532	790,575,532
2019	418,026,374	128,730,390	50,089,401	31,370,934	106,190,305	579,045,000	155,362,405	734,407,405
2020	416,859,646	118,352,528	37,205,710	23,212,388	82,604,764	549,485,000	128,750,036	678,235,036
2021	409,904,950	108,862,066	12,712,868	7,917,106	82,661,622	518,700,000	103,358,612	622,058,612
2022	376,357,289	100,608,237	12,600,912	0	72,481,806	482,305,000	79,743,243	562,048,243
2023	310,765,926	92,365,064	12,492,446	0	62,605,143	419,970,000	58,258,578	478,228,578
2024	208,305,340	74,079,924	7,767,854	0	49,628,858	300,130,000	39,651,976	339,781,976
2025	141,359,081	64,443,232	0	0	39,123,915	219,575,000	25,351,228	244,926,228
2026	89,070,117	62,360,397	0	0	11,173,663	147,440,000	15,164,178	162,604,178
2027	29,702,250	45,333,290	0	0	11,169,246	77,495,000	8,709,786	86,204,786
2028	0	45,113,058	0	0	11,171,714	50,785,000	5,499,773	56,284,773
2029	0	35,389,481	0	0	11,172,243	43,560,000	3,001,725	46,561,725
2030	0	15,948,077	0	0	3,374,937	17,990,000	1,333,014	19,323,014
2031	0	15,661,341	0	0	0	15,245,000	416,341	15,661,341
						<b>\$8,940,161,212</b>	<b>\$3,417,587,782</b>	<b>\$12,357,748,994</b>

- (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 issued by the Treasurer for mental health, parks and recreation, and cultural & sports facilities. Also includes lease-rental bonds previously issued for elementary and secondary education and for higher education facilities.
- (e) Includes lease-rental bonds issued by the Ohio Building Authority (OBA) for various state capital facilities.

The following table shows total Fiscal Year debt service on certain outstanding State obligations payable from the indicated non-GRF revenues, including the Highway Safety Series 2010A Bonds:

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

FY	Highway User Receipts			Net Liquor Profits			Other	
	Highway G.O.	ODOT/DPS Facilities(a)	Total	Economic Development(b)	Revitalization(c)	Total	BWC(d)	Federal Transportation Grants(e)
2010	\$170,263,970	\$16,702,589	\$186,966,559	\$32,660,301	\$14,746,623	\$47,406,923	\$19,796,795	\$147,187,723
2011	141,414,146	13,519,556	154,933,703	38,798,404	16,265,025	55,063,428	18,974,395	125,280,976
2012	116,227,596	9,948,241	126,175,837	40,588,662	18,573,947	59,162,608	18,216,365	107,166,603
2013	111,698,839	2,285,644	113,984,483	40,585,758	18,569,468	59,155,226	17,458,370	103,933,365
2014	93,724,686	2,442,269	96,166,955	40,570,152	18,553,148	59,123,300	15,951,100	100,318,738
2015	73,798,463	2,443,019	76,241,481	40,588,302	18,549,533	59,137,835	0	97,225,838
2016	36,650,725	2,444,219	39,094,944	40,615,590	18,538,359	59,153,949	0	83,994,238
2017	35,049,975	2,440,650	37,490,625	40,610,398	18,517,655	59,128,054	0	60,166,875
2018	14,612,500	2,442,125	17,054,625	40,612,777	18,518,890	59,131,668	0	36,484,375
2019	0	2,447,500	2,447,500	40,605,095	13,804,423	54,409,518	0	34,765,625
2020	0	1,565,700	1,565,700	40,608,942	13,777,074	54,386,017	0	32,968,750
2021	0	1,568,250	1,568,250	40,599,361	13,712,971	54,312,332	0	0
2022	0	0	0	35,206,080	8,963,170	44,169,250	0	0
2023	0	0	0	29,009,852	8,894,169	37,904,020	0	0
2024	0	0	0	28,833,485	4,523,185	33,356,671	0	0
2025	0	0	0	19,918,744	4,439,966	24,358,710	0	0
2026	0	0	0	11,701,280	4,358,895	16,060,175	0	0
2027	0	0	0	7,543,283	0	7,543,283	0	0
2028	0	0	0	7,437,271	0	7,437,271	0	0
2029	0	0	0	7,349,631	0	7,349,631	0	0
2030	0	0	0	3,413,901	0	3,413,901	0	0

- (a) Lease rental payments are paid from highway user receipts for these Ohio Department of Transportation and Department of Public Safety facilities.
- (b) Consists of debt service on revenue obligations issued for economic development programs under Chapter 166 of the Ohio Revised Code.
- (c) Special obligation bonds for which net liquor profits have been statutorily designated as the source of payment of debt service.
- (d) Debt service paid from appropriations from the BWC Administrative Cost Fund.
- (e) Debt service paid from federal transportation grants apportioned to the State under Title 23 of the U.S. Code.

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, including the Series 2010 Bonds:

<b>Year</b>	<b>Obligations Payable from the GRF</b>			<b>Non-GRF Obligations</b>	
	<b>Education(a)</b>	<b>Other GO(b)</b>	<b>Special Obligations(c)</b>	<b>Highway User Receipts(d)</b>	<b>Net Liquor Profits(e)</b>
2010	\$4,111,405,000	\$2,257,565,636	\$2,247,685,000	\$577,480,000	\$552,295,000
2015	2,970,300,000	1,375,218,600	979,615,000	91,485,000	395,645,000
2020	1,395,740,000	583,760,000	313,695,000	1,530,000	197,125,000
2025	114,115,000	195,545,000	42,855,000	-0-	37,245,000

- (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/DPS facilities.
- (e) Includes revenue obligations for economic development purposes and special obligations for revitalization purposes.

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.

<b>Fiscal Year</b>	<b>Principal Amount Outstanding (as of July 1)</b>	<b>Outstanding Debt Per Capita</b>	<b>Outstanding Debt as % of Personal Income</b>
1980	\$1,991,915,000	\$184	1.84%
1990	3,707,054,994	341	1.83
2000	6,308,680,025	555	1.93
2005	8,476,432,135	740	2.28
2006	8,909,382,567	778	2.28
2007	9,211,911,840	803	2.27
2008	8,631,565,254	749	2.09
2009	8,486,621,212	735(a)	2.05(b)

<b>Fiscal Year</b>	<b>Debt Service Payable</b>	<b>Total GRF Revenue and Net State Lottery Proceeds</b>	<b>Debt Service as % of GRF Revenue and Lottery Proceeds</b>	<b>Debt Service as % of Annual Personal Income</b>
1980	\$187,478,382	\$4,835,670,223	3.88%	0.17%
1990	488,676,826	12,230,681,298	4.00	0.24
2000	871,313,814	20,711,678,217	4.21	0.27
2005	1,097,842,137	26,195,614,000	4.19	0.30
2006	1,128,591,711	26,492,277,500	4.26	0.29
2007	1,216,382,190	26,447,718,900	4.60	0.30
2008	1,231,640,023	27,331,442,000	4.51	0.30
2009	1,075,937,540	26,809,692,000*	4.01	0.26(b)

- (a) Based on July 2009 population estimate.
- (b) Based on 2008 personal income data.

\*Excludes \$577,100,000 of federal funds from the American Recovery and Reinvestment Act of 2009.

### Additional Authorizations

Only a portion of State capital and other needs can be met by direct GRF appropriations, and so additional State borrowing for capital and other purposes has been and will continue to be required. Additional State capital appropriations for the 2009-10 capital biennium and related borrowing authorizations were passed by the General Assembly in March in the capital re-appropriations Act and June 2008 in the biennial capital appropriations Act and as part of the economic stimulus legislation discussed under **Recent and Current Finances – Current Biennium**. All of the following additional GRF-supported borrowing authorizations to fund those capital appropriations are reflected in the preceding tables.

#### General Obligation

- \$606,000,000 for higher education capital facilities projects, including \$100,000,000 for research and technology development facilities.
- \$360,000,000 for local infrastructure projects.
- \$100,000,000 for third frontier research and development projects.

- \$28,000,000 for natural resources facilities.
- \$100,000,000 for conservation purposes.
- \$66,000,000 for coal development.
- \$30,000,000 for site development.

### **Special Obligation**

- \$62,000,000 for prisons and local jails.
- \$19,000,000 for youth services facilities.
- \$48,000,000 for State administrative facilities.
- \$42,000,000 for cultural facilities (including both arts and sports facilities).
- \$128,000,000 for mental health facilities (including local projects).
- \$41,000,000 for parks and recreation facilities.
- \$100,000,000 for revitalization purposes.

Currently applicable constitutional authorizations are:

- 2009 – authorizes 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 may be issued and no obligations may be issued 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 (currently a portion of the State’s net liquor profits). The authorization is in addition to the 2000 constitutional amendment for the same purposes.
- 2005 – authorizes the issuance over ten years of an additional \$500 million of State general obligation debt in support of research and development, and an additional \$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% direct obligation debt service cap described above. (The General Assembly has placed before the voters on the May 4, 2010 statewide ballot the question of authorizing the issuance of an additional \$700 million of State general obligations for this purpose.) Also authorizes an additional \$1.35 billion of general obligation debt for government infrastructure as a ten-year extension of the existing local government infrastructure program, with an increase in the annual issuance amount in the last five-years from \$120 million to \$150 million, 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 (currently a portion of the State’s net liquor profits).
- 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 extended 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. In 2008, Ohio's economic output as measured by gross state product (GSP) totaled \$471.5 billion, 3.33% of the national GSP and eight largest among the states. The State ranks third within the manufacturing sector as a whole (\$84 billion) and third in durable goods (\$55 billion). As a percent of Ohio's 2008 GSP, manufacturing was responsible for 17.8%, with 22.5% attributable to the goods-producing sectors and 32.63% to business services sectors, including finance, insurance and real estate. Ohio is the seventh largest exporting state with 2008 merchandise exports totaling \$45.5 billion. The State's leading export products are machinery (including electrical machinery) and motor vehicles, which together accounted for 52.4% of that total.

Payroll employment in Ohio, in a diversifying employment base, since 2000, has increased in 2001, decreased in 2002 and 2003, increased in 2004 through 2006, and decreased in 2007 and 2008. Growth in recent years has been concentrated among non-manufacturing industries, with manufacturing employment tapering off since its 1969 peak. The "non-manufacturing" sector employs approximately 86% of all non-farm payroll workers in Ohio. The growth in employment and 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)

	<u>1970</u>	<u>1980</u>	<u>1990*</u>	<u>2000*</u>	<u>2008*</u>
Mining & Logging* .....	21	31	18	13	12
Construction.....	164	167	193	246	210
Manufacturing.....	1,410	1,264	1,064	1,021	740
Trade, Transportation & Public Utilities*	998	1,180	968	1,115	1,035
Information* .....	n.a.	n.a.	102	107	86
Financial Activities .....	154	204	253	305	291
Services.....	568	831	1,160	1,549	1,703
Leisure & Hospitality*.....	n.a.	n.a.	402	483	496
Government .....	<u>566</u>	<u>690</u>	<u>722</u>	<u>785</u>	<u>796</u>
TOTAL .....	3,881	4,367	4,882	5,625	5,368

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 (%)

	<u>1970</u>		<u>1980</u>		<u>1990*</u>		<u>2000*</u>		<u>2008*</u>	
	<u>Ohio</u>	<u>U.S.</u>	<u>Ohio</u>	<u>U.S.</u>	<u>Ohio</u>	<u>U.S.</u>	<u>Ohio</u>	<u>U.S.</u>	<u>Ohio</u>	<u>U.S.</u>
Mining & Logging* .....	<b>0.5</b>	0.9	<b>0.7</b>	1.1	<b>0.4</b>	0.7	<b>0.2</b>	0.5	<b>0.2</b>	0.6
Construction.....	<b>4.2</b>	5.1	<b>3.8</b>	4.8	<b>4.0</b>	4.8	<b>4.4</b>	5.1	<b>3.9</b>	5.3
Manufacturing .....	<b>36.3</b>	27.3	<b>29.0</b>	22.4	<b>21.8</b>	16.2	<b>18.2</b>	13.1	<b>13.8</b>	9.8
Trade, Transportation & Public Utilities*	<b>25.7</b>	27.6	<b>27.0</b>	28.2	<b>19.8</b>	20.7	<b>19.8</b>	19.9	<b>19.3</b>	19.2
Information* .....	n.a.	n.a.	n.a.	n.a.	<b>2.1</b>	2.5	<b>1.9</b>	2.8	<b>1.6</b>	2.2
Financial Activities.....	<b>4.0</b>	5.1	<b>4.7</b>	5.7	<b>5.2</b>	6.0	<b>5.4</b>	5.8	<b>5.4</b>	5.9
Services.....	<b>14.6</b>	16.3	<b>19.0</b>	19.8	<b>23.8</b>	23.8	<b>27.5</b>	28.0	<b>31.7</b>	30.8
Leisure & Hospitality*.....	n.a.	n.a.	n.a.	n.a.	<b>8.2</b>	8.5	<b>8.6</b>	9.0	<b>9.2</b>	9.8
Government .....	<b>14.6</b>	17.7	<b>15.8</b>	18.0	<b>14.8</b>	16.8	<b>14.0</b>	15.8	<b>14.8</b>	16.4

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)**

<u>Year</u>	<u>Ohio</u>	<u>U.S.</u>
1980.....	8.5%	7.1%
1990.....	5.7	5.6
2000.....	4.0	4.0
2001.....	4.4	4.7
2002.....	5.7	5.8
2003.....	6.2	6.0
2004.....	6.1	5.5
2005.....	5.9	5.1
2006.....	5.5	4.6
2007.....	5.6	4.6
2008.....	6.6	5.8
2009.....	10.2	9.3
2010 January.....	10.8	9.7
February.....	10.9	9.7

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 2008:

**OHIO'S TOP 25 PRIVATE SECTOR EMPLOYERS – 2008**

**Estimated Employment**

<u>Company</u>	<u>Headcount</u>	<u>Sector</u>
Wal-Mart Stores, Inc.*	54,200	Retail General Merchandiser
<b>Kroger Company*</b>	38,000	Retail Food Stores
<b>Cleveland Clinic Health System</b>	37,800	Health Care
<b>Catholic Healthcare Partners</b>	28,200	Health Care
<b>University Hospitals Health System*</b>	21,800	Health Care
JPMorgan Chase & Co.	17,500	Financial Services
Giant Eagle, Inc	17,000	Retail Food Stores
Sears Holding Corp*	16,400	Retail Department
<b>Ohio Health*</b>	15,300	Health Care
Honda Motor Company	15,000	Motor Vehicles
Meijer, Inc.*	15,000	Retail General Merchandiser
PNC Financial Services Group	15,000	Financial Services
United Parcel Service, Inc.*	14,570	Transportation Air Delivery
<b>ProMedica Health System*</b>	14,500	Health Care
General Electric Company	14,000	Aerospace/Electrical Equipment
<b>Premier Health Partners*</b>	14,000	Health Care
<b>Procter &amp; Gamble Company</b>	14,000	Soaps and Cosmetics
<b>Nationwide Mutual Insurance Co.</b>	13,700	Finance, Insurance
Target Corp*	13,200	Retail Department
<b>Bob Evans Farms, Inc.*</b>	13,000	Restaurants
General Motors Corporation	12,600	Motor Vehicles
Macy's, Inc. *	12,300	Retail Department
<b>Cincinnati Children's Hospital</b>	10,350	Health Care
<b>TriHealth, Inc</b>	9,850	Health Care
Limited Brands, Inc	9,700	Retail: Clothing

\* Indicates inclusion of part-time employees.

Boldface indicates headquartered in Ohio.

Source: Ohio Department of Development, Office of Strategic Research, April 2009.

## POPULATION

Ohio's 2000 decennial census population of 11,353,100 indicated a 4.7% population growth over 1990 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	10,657,500	6	9.7%	4,124,400	5,539,600	993,500
1980	10,797,600	6	1.4	3,502,900	6,125,200	1,169,500
1990	10,847,100	7	0.5	3,141,000	6,299,100	1,407,000
2000	11,353,100*	7	4.7	3,216,000	6,629,400	1,507,800

\* July 2009 Census population estimate is 11,542,645.

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

### Population of Ohio Metropolitan Areas(a)

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

(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) Newark added.

(e) Springfield added.

(f) Includes three counties.

(g) Weirton added; includes two counties in West Virginia.

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

## AGRICULTURAL AND RESOURCES BASES

With 14.2 million acres (of a total land area of 26.4 million acres) in farmland and an estimated 75,700 individual farms, agriculture combined with related agricultural sectors is an important segment of Ohio's economy. Ohio's 2007 crop production value of \$4.4 billion represented 3.0% of the U.S. total value. Ohio ranks in the top six states in the production of chicken eggs, tomatoes, corn, greenhouse/nursery, and soybeans. In 2007, Ohio's agricultural sector output (consisting of crops, livestock, poultry and dairy, and services and forestry) totaled \$8.4 billion with agricultural exports (primarily soybeans, feed grains and wheat, and their related products) estimated at a value of \$2.2 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 fourteenth in coal production in 2007.

## STATE EMPLOYEES AND RETIREMENT SYSTEMS

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 high of 68,573 in 1994 to low of 60,514 at the end of 2008.

The State engages in collective bargaining with six employee unions representing 20 bargaining units, and generally operates under three-year agreements. The State recently completed negotiations and signed new agreements which expire in April through June 2012.

The State has established five public retirement systems to provide retirement, disability retirement, and survivor benefits. 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.

These retirement systems were created by and operate pursuant to State law. The General Assembly has the power to amend the format and benefit levels, impose or revise contribution rates or amounts, or to make other changes. The systems are not currently subject to the funding and vesting requirements of the federal Employee Retirement Income Security Act (ERISA). Federal law requires new hires 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 retirement funds of public bodies and to other aspects of public employee retirement.

The State is required to make an employer contribution based on a percent of salary for each State employee that is an active member of a state retirement system. Currently, about 96% of State employees are members of PERS, about 2.5% are in HPRS and about 1.5% are in STRS. The State's employer contributions to those systems totaled \$839.6 million in the 2006-07 biennium, \$917.0 million in the 2008-09 biennium and are estimated to be \$888.0 million in the 2010-11 biennium. The State also has funded and continues to fund subsidies to the systems (most for specific groups of retirants) to pay for new or additional benefits mandated by law and not otherwise funded. The aggregate subsidies were \$42.3 million in the 2006-07 biennium, \$41.8 million in the 2008-09 biennium, and are appropriated at \$41.6 million for the 2010-11 biennium.

The following table presents summary 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):

Valuation as of:	<u>PERS</u> <b>12/31/08</b>	<u>STRS</u> <b>06/30/09</b>	<u>SERS</u> <b>06/30/09</b>	<u>OP&amp;F</u> <b>01/01/09</b>	<u>HPRS</u> <b>12/31/08</b>
Active Members.....	356,388	174,807	125,465	28,927	1,544
State Employees (Approx. % of Active Members) ..	17	1	0	0	100
Retirants and Beneficiaries .....	169,016	129,659	65,757	25,317	1,371
Employer/Employee Contributions (% of Salary)(a) ....	14.0/10.0(b)	14.0/10.0	14.0/10.0	(c)	26.5/10.0
Active Member Payroll .....	\$12,801.1	\$10,800.8	\$2,787.4	\$1,900.9	\$94.3
Actuarial Accrued Liability (AAL) .....	\$73,465.7	\$91,441.0	\$14,221.0	\$14,307.1	\$904.5
Value of Assets (d) .....	\$55,315.2	\$54,902.9	\$9,723	\$9,309.2	\$603.3
Unfunded Actuarial Accrued Liability (UAAL) .....	\$18,150.5	\$36,538.1	\$4,498.0	\$4,998.0	\$301.3
Funding Ratio (Assets to AAL %) .....	75.3	60.0	68.4	65.1	66.7

- (a) For PERS, STRS, and SERS the maximum employer and employee contribution rates under law are 14% and 10%, respectively. The boards of STRS, OP&F and HPRS have voted to pursue legislation enabling member contribution rate increases.
- (b) PERS state is 14.0/10.0%, local is 14.0/10.0% and law enforcement is 17.6/10.1%. PERS state and local employer and employee contribution rates increased to their statutory maximum of 14% and 10%, respectively, in calendar year 2008.
- (c) Police is 19.5/10% and fire 24/10%.
- (d) Recognizes the cost of assets adjusted for realized and unrealized gains and losses amortized over a four-year period, except for OP&F which values assets under a five-year expected market value technique.

Sources: Retirement systems' comprehensive annual financial reports and annual actuarial valuations.

All of the State's public retirement systems have commenced financial reporting of their health care plans in compliance with GASB Statement 43 -- Financial Reporting for Post-Employment Benefit Plans Other than Pension Plans -- required for their first full twelve-month period beginning after December 15, 2005. Unlike their retirement, disability retirement and survivor benefits, all these systems' health care programs are not vested and are subject to future adjustments of both benefits and contributions by their respective boards. In this regard, PERS has adopted two health care preservation plans, the first in September of 2004 and the second in June 2007, to adjust benefits and contributions by employers, employees, and retirees, with those changes phased in over six years.

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):

	<u>PERS</u>	<u>STRS</u>	<u>SERS</u>	<u>OP&amp;F</u>	<u>HPRS</u>
Valuation as of:	<b>12/31/08</b>	<b>01/01/09</b>	<b>06/30/09</b>	<b>01/01/09</b>	<b>12/31/08</b>
Value of Assets.....	\$10,748.0	\$2,693.7	\$376.5	\$438.7	\$95.8
Actuarial Accrued Liability (AAL) .....	\$29,623.0	13,413.7	\$4,280.3	\$3,163.6	\$324.2
Unfunded Actuarial Accrued Liability (UAAL) .....	\$18,875.0	10,720.0	\$3,903.8	\$2,725.0	\$228.4
Funding Ratio (Assets to AAL %) .....	36.3	20.1	8.8	13.9	29.5

### TAX LEVELS AND TAX BASES

The variety of taxes and excises levied by the State is indicated in several tables in this Official Statement. According to the Federation of Tax Administrators, citing the U.S. Census Bureau as its source, the State ranked 35th in state taxes per capita in 2008. 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 has completed the phase-in over fiscal years 2006 through 2010 of its commercial activity tax (CAT) on taxable gross receipts from doing business in Ohio, and the phase out over the same general period of its corporate franchise tax (except for its continuing application to financial institutions and certain affiliates of insurance companies and financial institutions). 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% when fully implemented in Fiscal Year 2010. As described further below, the receipts from the CAT are directed first and primarily 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.

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 has been 5.5% since July 1, 2005. That rate was temporarily increased from 5.0% to 6.0% for the period July 1, 2003 through June 30, 2005 (see **Recent and Current Finances – Recent Biennia – 2004-05**). 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 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 currently 9% and the highest currently levied by 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 State legislation effective July 1, 2005, State personal income tax rates, applying generally to federal adjusted gross income, were reduced 4.2% annually in each of the years 2005 through 2009, resulting in an aggregate 21% decrease from the 2004 rates. The 2004 rates ranged from 0.743% on incomes of \$5,000 or less with increasing bracketed base rates and percentages up to a maximum on incomes over \$200,000 of \$11,506 plus 7.5% on the amount over \$200,000. See **FISCAL MATTERS – Recent and Current Finances – Current Biennium** for discussion of postponement of the final installment of this personal income tax reduction until tax year 2011. Under that postponement the indexing of the State income tax brackets previously scheduled to begin July 1, 2005 remains suspended until tax year 2010.

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 may also levy certain income taxes. Any municipal rate (applying generally to wages and salaries and net business 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 2002 was 2.85%. A school district income tax is currently approved in 145 districts. 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 1999, and eighth since 2000. 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>U.S.</u>	<u>Ohio</u>	<u>Ohio Percent of U.S.</u>	<u>State Rank</u>
1970	Total.....	\$832.2	\$43.6	5.2%	5
	per capita.....	4,084	4,088	100.1	15
1980	Total.....	2,292.9	108.2	4.7	6
	per capita.....	10,091	10,022	99.3	21
1990	Total.....	4,831.3	202.5	4.2	7
	per capita.....	19,354	18,638	96.3	21
2000	Total.....	8,554.9	326.1	3.8	7
	per capita.....	30,318	28,694	94.6	24
2006	Total.....	11,256.5	390.7	3.5	8
	per capita.....	37,728	34,093	90.4	27
2007	Total.....	11,879.8	405.2	3.4	8
	per capita.....	39,430	35,307	89.5	32
2008	Total.....	12,225.6	413.7	3.4	8
	per capita.....	40,208	36,021	89.6	33

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

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

### Retail Sales (\$ in Billions)

<u>Fiscal Year</u>	<u>Ohio Retail Sales(a)</u>	<u>U.S. Retail Sales(b)</u>	<u>Ohio Percent of U.S.</u>
1980	\$39.01	\$979.25	4.0%
1990	66.95	1,914.04	3.5
2000	117.72	3,213.82	3.6
2005	133.31	3,956.49	3.4
2006	138.07	4,206.21	3.3
2007	140.90	4,354.32	3.2
2008	143.44	4,490.91	3.2
2009	133.60	4,196.74	3.2

- (a) Calculated by Global Insight based on data from the U.S. Department of Commerce, Bureau of the Census.  
 (b) U.S. Census Bureau Web Site.

## 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 2008 show that these property taxes represent 3.68% of Ohio personal income.

		<b>Assessed Value (a)</b>	<b>Percent of True Value (b)</b>	<b>Taxes Charged</b>
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
2007	Real .....	235,886,967,441	35.0	13,126,977,342(e)
	Tangible(d).....	12,271,111,018	13.0(b)	1,002,333,421
	Public Utility(c)(f).....	8,343,220,730(g)	47.3	621,194,887
2008	Real .....	240,673,472,605	35.0	13,807,996,674(e)
	Tangible(d).....	6,592,078,011	6.8(b)	539,847,674
	Public Utility(c)(f).....	8,596,715,120(g)	47.3	646,437,973

- (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) are scheduled to reach 0% in 2009.
- (c) Excludes public utility real property, includes railroad real property.
- (d) Includes machinery, inventories, fixtures; effective tax year 2007 and thereafter includes telephone company property. Excludes public utility tangible 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 is eliminated for real property used in business, with exceptions for certain property used in farming or for housing.
- (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%.

Source: Ohio Department of Taxation.

Under State legislation effective July 1, 2005, the tangible personal property tax (including inventories) is being phased out in tax years 2006 through 2009, with that tax generally eliminated effective January 1, 2009. That legislation provides for the State to make distributions to school districts and other local taxing units from revenue generated by the recently enacted State commercial activity tax (CAT). Distributions are generally based on the taxable value of tangible personal property as reported in 2004 and property tax levies in effect for 2005. The State payments essentially hold school and local governments harmless to the calculated base values through 2010, with gradual reductions thereafter until the final distribution in May 2018. Prior State legislation enacted reductions in the assessed (tax) valuation of certain categories of tangible personal property. In 2007, telecommunications and telephone company tangible personal property were combined and are now classified as general business tangible property. The assessment rate on telephone company property will be phased out by tax year 2010.

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. The total cost of the homestead exemption program in Fiscal Year 2009 was \$329.4 million.

Property tax relief payments by the State to local subdivisions totaled \$2.52 billion in the 2006-07 biennium, \$2.89 billion in the 2008-09 biennium and are estimated at \$3.25 billion for the 2010-11 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 recent 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 took several 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 addressed certain mandated programs and reserves, characterized by the plaintiffs and the Court as "unfunded mandates."

Under the financial structure in place before the current 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 steadily increased in 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 current 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 145 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:

- 1998-99 – \$11.6 billion (18.3% over the previous biennium).

- 2000-01 – \$13.3 billion (15% over the previous biennium).
- 2002-03 - \$15.2 billion (17% over the previous biennium before the expenditure reductions discussed under **Fiscal Matters – Recent and Current Finances - 2002-03**).
- 2004-05 - \$15.7 billion (3.3% over the previous biennium before the expenditure reductions discussed under **Fiscal Matters – Recent and Current Finances - 2004-05**).
- 2006-07 - \$16.4 billion (4.5% over the previous biennium before the expenditure reductions discussed under **Fiscal Matters – Recent and Current Finances - 2006-07**).
- 2008-09 - \$17.2 billion (5.1% over the previous biennium before the expenditure reductions discussed under **Fiscal Matters – Recent and Current Finances - 2008-09**).

State appropriations for school funding for the 2010-11 biennium are \$17.0 billion (a 1.6% decrease from those appropriations in the previous biennium), representing a decrease of 3.4% in Fiscal Year 2010 over Fiscal Year 2009 and of 0.5% in Fiscal Year 2011 over Fiscal Year 2010. These amounts are exclusive of the \$1.463 billion of appropriations to school districts for the 2010-11 biennium of “Federal Stimulus” funding received under the American Recovery and Reinvestment Act of 2009.

The amount of lottery profits transferred to the Lottery Profits Education Fund (LPEF) totaled \$672.2 million in Fiscal Year 2008 and \$702.3 million in Fiscal Year 2009 and are appropriated at \$705.0 million in Fiscal Year 2010 and \$711.0 million in Fiscal Year 2011. The 2010-11 biennial appropriations Act authorized the implementation of video lottery terminals (VLTs) at Ohio seven horse racing tracks. See **Current Biennium** for discussion of litigation concluded in the Ohio Supreme Court declaring that the authorization of those VLTs is subject to voter referendum. 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 enacted an “Evidenced Based Model” for the distribution of State funding to local school districts, with different elements of the new funding model to be phased in over the next ten years. Elements of that new model emphasize funding educational components that are linked with student academic success, such as decreased class sizes and all day kindergarten, and modification of teacher tenure and termination provisions.

### **Municipalities**

Ohio has a mixture of urban and rural population, with approximately three-quarters urban. There are 943 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 – 2002-03** and **2004-05**, the amount of distributions in those biennia to most local governments, including municipalities, from the several State local government revenue assistance funds were and are generally capped at the equivalent monthly amounts in Fiscal Years 2000 and 2001.

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. There are currently 20 local governments in fiscal emergency status and six in fiscal watch status. A current listing of governments in each status is on the Internet at <http://www.auditor.state.oh.us>.

## APPENDIX B-1

### PROPOSED TEXTS OF BOND COUNSEL LEGAL OPINIONS FOR SERIES 2010 TAX-EXEMPT BONDS

Re: \$9,005,000 State of Ohio (Ohio Building Authority) State Facilities Bonds (Administrative Building Fund Projects), 2010 Series A

We have examined the transcript of proceedings (the "Transcript") relating to the issuance by the Ohio Building Authority (the "Authority"), on behalf of the State of Ohio (the "State"), of the \$9,005,000 State of Ohio (Ohio Building Authority) State Facilities Bonds (Administrative Building Fund Projects), 2010 Series A (the "Series 2010 A Bonds"), for the purpose of paying a portion of the costs of capital facilities, including sites thereof, for lease to the Ohio Department of Administrative Services (the "Department") for housing personnel, equipment or functions, or any combinations thereof that the Department or of the State agencies are responsible for housing.

The documents in the Transcript examined include executed counterparts of the Trust Agreement dated as of January 15, 1991 and the Twentieth Supplemental Trust Agreement dated as of March 1, 2010, each between the Authority and The Huntington National Bank, as successor trustee (the "Trustee") (collectively, as amended and supplemented to date, the "Trust Agreement"); Resolution No. 1990-12 of the Authority adopted on December 12, 1990; Series Resolution No. 2010-1 adopted on March 17, 2010; and the Lease Agreement dated as of January 15, 1991 and the Twentieth Supplemental Lease dated as of March 1, 2010, each between the Authority and the Department (collectively, as amended and supplemented to date, the "Lease"). We have also examined the Constitution of the State of Ohio and such other documents, including opinions of the Attorney General of Ohio, statutes, certifications (including certifications of acts and expectations from the Authority) and records and matters of law as we have deemed necessary for purposes of this opinion. We have also examined an executed and authenticated fully registered Series 2010 A Bond of the first maturity. Unless otherwise defined herein, each of the capitalized terms used herein as a defined term shall have the meaning ascribed to such term in the Trust Agreement.

The Series 2010 A Bonds are issued under and pursuant to Section 2i of Article VII of the Ohio Constitution, Chapter 152 of the Ohio Revised Code and other authorizations by the Ohio General Assembly (the "General Assembly") and the Trust Agreement.

Based upon our examination described above and such further investigation of law as we have deemed necessary, and subject to the assumptions, qualifications, limitations and exceptions set forth below, we are of the opinion that, as of the date hereof, under existing law, as now judicially construed, together with existing regulations, rulings and court decisions:

1. The Series 2010 A Bonds have been duly authorized, executed, issued and delivered by Authority and constitute legal, valid and binding special obligations of the State in accordance with their terms and provisions. The principal of and interest and premium, if any, on the Series 2010 A Bonds are payable from and secured by a pledge and assignment of the Pledged Receipts (as defined in the Trust Agreement) to the extent described in the Trust Agreement. The Series 2010 A Bonds are not otherwise secured, and the owners of the Series 2010 A Bonds are given no right to have any excises or taxes levied by the General Assembly for the payment of principal thereof, or premium, if any, or interest thereon.

2. The Twentieth Supplemental Trust Agreement has been duly authorized, executed and delivered by the Authority and constitutes a legal, valid and binding obligation of the Authority enforceable in accordance with its terms.

3. The Twentieth Supplemental Lease has been duly authorized, executed and delivered by the Authority and the Department and constitutes a legal, valid and binding obligation of the Authority and the Department enforceable in accordance with its terms. Pursuant to the Lease, the Department has agreed to pay rentals to the Authority at least adequate to meet, among other requirements, the principal, estimated interest and any redemption premium on the Series 2010 A Bonds outstanding under the Trust Agreement. Pursuant to the Lease, the Department has agreed to pay such rentals to the Authority from funds appropriated to the Department for that purpose by the General Assembly, and the agreement of the Department to pay such rentals during any two year period for which appropriation may lawfully be made by the General Assembly is effective and binding upon the Department only when and to the extent that funds have been appropriated and are available for that purpose and for that period; the General Assembly is not at any time obligated to make appropriations to pay those rentals.

4. Under existing law interest on the Series 2010 A Bonds is excluded from gross income for federal income tax purposes under Section 103(a) of the Internal Revenue Code of 1986, as amended (the "Code"), is not treated as an item of tax preference under Section 57 of the Code for purposes of the alternative minimum tax imposed on individuals and corporations, and is not treated as an adjustment to adjusted current earnings of a corporation under Section 56(g) of the Code. Interest on, any transfer of, and any profit made on the sale, exchange or other disposition of the Series 2010 A Bonds are exempt from the Ohio personal income tax, the Ohio corporation franchise tax (to the extent computed on the net income basis), and from income taxes imposed by municipalities and other political subdivisions in Ohio. Interest on the Series 2010 A Bonds, as is the case with most other forms of interest on debt obligations, is not subject to the Ohio commercial activity tax imposed under Chapter 5751 of the Ohio Revised Code. We express no opinion regarding other tax consequences caused by the receipt or accrual of interest on the Series 2010 A Bonds.

In giving the foregoing opinion with respect to the treatment of the interest on the Series 2010 A Bonds and the status of the Series 2010 A Bonds under the federal tax laws, we have assumed and relied upon compliance with the Authority's covenants and the accuracy of the Authority's representations and certifications contained in the transcript. The accuracy of those representations and certifications, which we have not independently verified, and the Authority's compliance with those covenants, may be necessary for the interest on the Series 2010 A Bonds to be and remain excluded from gross income and for the other tax effects stated above. Failure to comply with certain requirements subsequent to issuance of the Series 2010 A Bonds could cause interest thereon to be included in gross income for federal income tax purposes, in some cases retroactively to the date of issuance of the Series 2010 A Bonds.

Portions of the interest on the Series 2010 A Bonds may be subject to the branch profits tax imposed under Section 884 of the Code on certain foreign corporations doing business in the United States and to the tax imposed on the excess net passive income of certain S corporations by Section 1375 of the Code.

Our opinions are qualified in their entirety as follows: (i) the terms and provisions of any document or instrument are subject to the application of bankruptcy, insolvency, moratorium or other similar law regarding creditors' rights; (ii) the remedy of specific performance is generally discretionary with the court and may not be available with respect to the enforcement of the terms and provisions of any instrument or document; (iii) the enforcement of the rights and remedies set forth in any instrument or document may be limited by principles of materiality with respect to defaults and by the obligation of the Trustee to act in good faith; (iv) judicial decisions indicate that public policy may make unenforceable provisions in agreements respecting payment by a debtor of the costs of administration and enforcement, including, without limitation, attorneys' fees; and (v) certain of the remedial provisions and certain provisions relating to waiver, notice, course of dealing, evidentiary standards and requirements of written modification contained in the documents or instruments referred to herein may be unenforceable in whole or in part; it being our opinion, however, that, subject to the other assumptions, limitations, qualifications and exceptions hereof, the inclusion of any such provisions does not render the Trust Agreement, the

Lease or any of the Series 2010 A Bonds invalid as a whole nor materially interfere with the practical realization of the benefits of any liens provided for therein.

The opinions expressed herein are limited to the laws of the State of Ohio and United States federal law. We express no opinion as to the effect or applicability under the laws of Ohio of the laws of any other jurisdiction.

This opinion is limited to the matters expressly stated herein. No implied opinion may be inferred to extend this opinion beyond the matters expressly stated herein. The opinions expressed herein are expressed solely to you and, without the express written consent of the undersigned, may not be relied upon by any other persons (except the Holders of the Series 2010 A Bonds) for any reason.

This opinion is given as of the date hereof, and we 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.

Respectfully submitted,

Re: \$10,860,000 State of Ohio (Ohio Building Authority) State Facilities Refunding Bonds (Highway Safety Building Fund Projects) 2010 Series A  
(Tax-Exempt)

We have examined the transcript of proceedings (the "Transcript") relating to the issuance by the Ohio Building Authority (the "Authority"), on behalf of the State of Ohio (the "State"), of the \$10,860,000 State of Ohio (Ohio Building Authority) State Facilities Refunding Bonds (Highway Safety Building Fund Projects), 2010 Series A (the "Series 2010 A Bonds"), for the purpose of advance refunding a portion of the currently outstanding State of Ohio (Ohio Building Authority) State Facilities Bonds (Highway Safety Building Fund Projects), 2001 Series A.

The documents in the Transcript examined include executed counterparts of the Trust Agreement dated as of September 15, 1994 and the Eighth Supplemental Trust Agreement dated as of March 1, 2010, each between the Authority and The Bank of New York Mellon Trust Company, N.A., as successor trustee (the "Trustee") (collectively, as amended and supplemented to date, the "Trust Agreement"); Resolution No. 1994-24 of the Authority adopted on September 21, 1994; Series Resolution No. 2010-2 adopted on March 17, 2010; and the Lease Agreement dated as of April 1, 1996 and the Eighth Supplemental Lease dated as of March 1, 2010, each between the Authority and the Ohio Department of Public Safety (the "Department") (collectively, as amended and supplemented to date, the "Lease"). We have also examined the Constitution of the State of Ohio and such other documents, including opinions of the Attorney General of Ohio, statutes, certifications (including certifications of acts and expectations from the Authority) and records and matters of law as we have deemed necessary for purposes of this opinion. We have also examined an executed and authenticated fully registered Series 2010 A Bond of the first maturity. Unless otherwise defined herein, each of the capitalized terms used herein as a defined term shall have the meaning ascribed to such term in the Trust Agreement.

The Series 2010 A Bonds are issued under and pursuant to Section 2i of Article VII of the Ohio Constitution, Chapter 152 of the Ohio Revised Code and other authorizations by the Ohio General Assembly (the "General Assembly") and the Trust Agreement.

Based upon our examination described above and such further investigation of law as we have deemed necessary, and subject to the assumptions, qualifications, limitations and exceptions set forth below, we are of the opinion that, as of the date hereof, under existing law, as now judicially construed, together with existing regulations, rulings and court decisions:

1. The Series 2010 A Bonds have been duly authorized, executed, issued and delivered by Authority and constitute legal, valid and binding special obligations of the State in accordance with their terms and provisions. The principal of and interest and premium, if any, on the Series 2010 A Bonds are payable from and secured by a pledge and assignment of the Pledged Receipts (as defined in the Trust Agreement) to the extent described in the Trust Agreement. The Series 2010 A Bonds are not otherwise secured, and the owners of the Series 2010 A Bonds are given no right to have any excises or taxes levied by the General Assembly for the payment of principal thereof, or premium, if any, or interest thereon.

2. The Eighth Supplemental Trust Agreement has been duly authorized, executed and delivered by the Authority and constitutes a legal, valid and binding obligation of the Authority enforceable in accordance with its terms.

3. The Eighth Supplemental Lease has been duly authorized, executed and delivered by the Authority and the Department and constitutes a legal, valid and binding obligation of the Authority and the Department enforceable in accordance with its terms. Pursuant to the Lease, the Department has agreed to pay rentals to the Authority at least adequate to meet, among other requirements, the principal, estimated interest and

any redemption premium on the Series 2010 A Bonds outstanding under the Trust Agreement. Pursuant to the Lease, the Department has agreed to pay such rentals to the Authority from funds appropriated to the Department for that purpose by the General Assembly, and the agreement of the Department to pay such rentals during any two year period for which appropriation may lawfully be made by the General Assembly is effective and binding upon the Department only when and to the extent that funds have been appropriated and are available for that purpose and for that period; the General Assembly is not at any time obligated to make appropriations to pay those rentals.

4. Under existing law interest on the Series 2010 A Bonds is excluded from gross income for federal income tax purposes under Section 103(a) of the Internal Revenue Code of 1986, as amended (the "Code"), and is not treated as an item of tax preference under Section 57 of the Code for purposes of the alternative minimum tax imposed on individuals and corporations. Interest on, any transfer of, and any profit made on the sale, exchange or other disposition of the Series 2010 A Bonds are exempt from the Ohio personal income tax, the Ohio corporation franchise tax (to the extent computed on the net income basis), and from income taxes imposed by municipalities and other political subdivisions in Ohio. Interest on the Series 2010 A Bonds, as is the case with most other forms of interest on debt obligations, is not subject to the Ohio commercial activity tax imposed under Chapter 5751 of the Ohio Revised Code. We express no opinion regarding other tax consequences caused by the receipt or accrual of interest on the Series 2010 A Bonds.

In giving the foregoing opinion with respect to the treatment of the interest on the Series 2010 A Bonds and the status of the Series 2010 A Bonds under the federal tax laws, we have assumed and relied upon compliance with the Authority's covenants and the accuracy of the Authority's representations and certifications contained in the transcript. The accuracy of those representations and certifications, which we have not independently verified, and the Authority's compliance with those covenants, may be necessary for the interest on the Series 2010 A Bonds to be and remain excluded from gross income and for the other tax effects stated above. Failure to comply with certain requirements subsequent to issuance of the Series 2010 A Bonds could cause interest thereon to be included in gross income for federal income tax purposes, in some cases retroactively to the date of issuance of the Series 2010 A Bonds.

Portions of the interest on the Bonds may be subject to the branch profits tax imposed under Section 884 of the Code on certain foreign corporations doing business in the United States and to the tax imposed on the excess net passive income of certain S corporations by Section 1375 of the Code. Additionally, a portion of the interest on the Series 2010 A Bonds earned by certain corporations may be subject to a federal alternative minimum tax.

Our opinions are qualified in their entirety as follows: (i) the terms and provisions of any document or instrument are subject to the application of bankruptcy, insolvency, moratorium or other similar law regarding creditors' rights; (ii) the remedy of specific performance is generally discretionary with the court and may not be available with respect to the enforcement of the terms and provisions of any instrument or document; (iii) the enforcement of the rights and remedies set forth in any instrument or document may be limited by principles of materiality with respect to defaults and by the obligation of the Trustee to act in good faith; (iv) judicial decisions indicate that public policy may make unenforceable provisions in agreements respecting payment by a debtor of the costs of administration and enforcement, including, without limitation, attorneys' fees; and (v) certain of the remedial provisions and certain provisions relating to waiver, notice, course of dealing, evidentiary standards and requirements of written modification contained in the documents or instruments referred to herein may be unenforceable in whole or in part; it being our opinion, however, that, subject to the other assumptions, limitations, qualifications and exceptions hereof, the inclusion of any such provisions does not render the Trust Agreement, the Lease or any of the Series 2010 A Bonds invalid as a whole nor materially interfere with the practical realization of the benefits of any liens provided for therein.

The opinions expressed herein are limited to the laws of the State of Ohio and United States federal law. We express no opinion as to the effect or applicability under the laws of Ohio of the laws of any other jurisdiction.

This opinion is limited to the matters expressly stated herein. No implied opinion may be inferred to extend this opinion beyond the matters expressly stated herein. The opinions expressed herein are expressed solely

to you and, without the express written consent of the undersigned, may not be relied upon by any other persons (except the Holders of the Series 2010 A Bonds) for any reason.

This opinion is given as of the date hereof, and we 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.

Respectfully submitted,

Re: \$5,445,000 State of Ohio (Ohio Building Authority) State Facilities Bonds (Juvenile Correctional Building Fund Projects) 2010 Series A

We have examined the transcript of proceedings (the "Transcript") relating to the issuance by the Ohio Building Authority (the "Authority"), on behalf of the State of Ohio (the "State"), of the \$5,445,000 State of Ohio (Ohio Building Authority) State Facilities Bonds (Juvenile Correctional Building Fund Projects), 2010 Series A (the "Series 2010 A Bonds"), for the purpose of paying a portion of the costs of capital facilities, including sites thereof, for lease to the Ohio Department of Youth Services (the "Department") and use by the Department or other governmental entities.

The documents in the Transcript examined include executed counterparts of the Trust Agreement dated as of June 1, 1990 and the Thirteenth Supplemental Trust Agreement dated as of March 1, 2010, each between the Authority and The Bank of New York Mellon Trust Company, N.A., as successor trustee (the "Trustee") (collectively, as amended and supplemented to date, the "Trust Agreement"); Resolution No. 1990-3 of the Authority adopted on June 5, 1990; Series Resolution No. 2010-3 adopted on March 17, 2010; and the Lease Agreement dated as of June 1, 1990 and the Thirteenth Supplemental Lease dated as of March 1, 2010, each between the Authority and the Department (collectively, as amended and supplemented to date, the "Lease"). We have also examined the Constitution of the State of Ohio and such other documents, including opinions of the Attorney General of Ohio, statutes, certifications (including certifications of acts and expectations from the Authority) and records and matters of law as we have deemed necessary for purposes of this opinion. We have also examined an executed and authenticated fully registered Series 2010 A Bond of the first maturity. Unless otherwise defined herein, each of the capitalized terms used herein as a defined term shall have the meaning ascribed to such term in the Trust Agreement.

The Series 2010 A Bonds are issued under and pursuant to Section 2i of Article VII of the Ohio Constitution, Chapter 152 of the Ohio Revised Code and other authorizations by the Ohio General Assembly (the "General Assembly") and the Trust Agreement.

Based upon our examination described above and such further investigation of law as we have deemed necessary, and subject to the assumptions, qualifications, limitations and exceptions set forth below, we are of the opinion that, as of the date hereof, under existing law, as now judicially construed, together with existing regulations, rulings and court decisions:

1. The Series 2010 A Bonds have been duly authorized, executed, issued and delivered by Authority and constitute legal, valid and binding special obligations of the State in accordance with their terms and provisions. The principal of and interest and premium, if any, on the Series 2010 A Bonds are payable from and secured by a pledge and assignment of the Pledged Receipts (as defined in the Trust Agreement) to the extent described in the Trust Agreement. The Series 2010 A Bonds are not otherwise secured, and the owners of the Series 2010 A Bonds are given no right to have any excises or taxes levied by the General Assembly for the payment of principal thereof, or premium, if any, or interest thereon.

2. The Thirteenth Supplemental Trust Agreement has been duly authorized, executed and delivered by the Authority and constitutes a legal, valid and binding obligation of the Authority enforceable in accordance with its terms.

3. The Thirteenth Supplemental Lease has been duly authorized, executed and delivered by the Authority and the Department and constitutes a legal, valid and binding obligation of the Authority and the Department enforceable in accordance with its terms. Pursuant to the Lease, the Department has agreed to pay rentals to the Authority at least adequate to meet, among other requirements, the principal, estimated interest and any redemption premium on the Series 2010 A Bonds outstanding under the Trust Agreement. Pursuant to the

Lease, the Department has agreed to pay such rentals to the Authority from funds appropriated to the Department for that purpose by the General Assembly, and the agreement of the Department to pay such rentals during any two year period for which appropriation may lawfully be made by the General Assembly is effective and binding upon the Department only when and to the extent that funds have been appropriated and are available for that purpose and for that period; the General Assembly is not at any time obligated to make appropriations to pay those rentals.

4. Under existing law interest on the Series 2010 A Bonds is excluded from gross income for federal income tax purposes under Section 103(a) of the Internal Revenue Code of 1986, as amended (the "Code"), is not treated as an item of tax preference under Section 57 of the Code for purposes of the alternative minimum tax imposed on individuals and corporations, and is not treated as an adjustment to adjusted current earnings of a corporation under Section 56(g) of the Code. Interest on, any transfer of, and any profit made on the sale, exchange or other disposition of the Series 2010 A Bonds are exempt from the Ohio personal income tax, the Ohio corporation franchise tax (to the extent computed on the net income basis), and from income taxes imposed by municipalities and other political subdivisions in Ohio. Interest on the Series 2010 A Bonds, as is the case with most other forms of interest on debt obligations, is not subject to the Ohio commercial activity tax imposed under Chapter 5751 of the Ohio Revised Code. We express no opinion regarding other tax consequences caused by the receipt or accrual of interest on the Series 2010 A Bonds.

In giving the foregoing opinion with respect to the treatment of the interest on the Series 2010 A Bonds and the status of the Series 2010 A Bonds under the federal tax laws, we have assumed and relied upon compliance with the Authority's covenants and the accuracy of the Authority's representations and certifications contained in the transcript. The accuracy of those representations and certifications, which we have not independently verified, and the Authority's compliance with those covenants, may be necessary for the interest on the Series 2010 A Bonds to be and remain excluded from gross income and for the other tax effects stated above. Failure to comply with certain requirements subsequent to issuance of the Series 2010 A Bonds could cause interest thereon to be included in gross income for federal income tax purposes, in some cases retroactively to the date of issuance of the Series 2010 A Bonds.

Portions of the interest on the Series 2010 A Bonds may be subject to the branch profits tax imposed under Section 884 of the Code on certain foreign corporations doing business in the United States and to the tax imposed on the excess net passive income of certain S corporations by Section 1375 of the Code.

Our opinions are qualified in their entirety as follows: (i) the terms and provisions of any document or instrument are subject to the application of bankruptcy, insolvency, moratorium or other similar law regarding creditors' rights; (ii) the remedy of specific performance is generally discretionary with the court and may not be available with respect to the enforcement of the terms and provisions of any instrument or document; (iii) the enforcement of the rights and remedies set forth in any instrument or document may be limited by principles of materiality with respect to defaults and by the obligation of the Trustee to act in good faith; (iv) judicial decisions indicate that public policy may make unenforceable provisions in agreements respecting payment by a debtor of the costs of administration and enforcement, including, without limitation, attorneys' fees; and (v) certain of the remedial provisions and certain provisions relating to waiver, notice, course of dealing, evidentiary standards and requirements of written modification contained in the documents or instruments referred to herein may be unenforceable in whole or in part; it being our opinion, however, that, subject to the other assumptions, limitations, qualifications and exceptions hereof, the inclusion of any such provisions does not render the Trust Agreement, the Lease or any of the Series 2010 A Bonds invalid as a whole nor materially interfere with the practical realization of the benefits of any liens provided for therein.

The opinions expressed herein are limited to the laws of the State of Ohio and United States federal law. We express no opinion as to the effect or applicability under the laws of Ohio of the laws of any other jurisdiction.

This opinion is limited to the matters expressly stated herein. No implied opinion may be inferred to extend this opinion beyond the matters expressly stated herein. The opinions expressed herein are expressed solely to you and, without the express written consent of the undersigned, may not be relied upon by any other persons (except the Holders of the Series 2010 A Bonds) for any reason.

This opinion is given as of the date hereof, and we 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.

Respectfully submitted,

Re: \$11,450,000 State of Ohio (Ohio Building Authority) State Facilities Refunding Bonds (Juvenile Correctional Building Fund Projects) 2010 Series B

We have examined the transcript of proceedings (the "Transcript") relating to the issuance by the Ohio Building Authority (the "Authority"), on behalf of the State of Ohio (the "State") of the \$11,450,000 State of Ohio (Ohio Building Authority) State Facilities Refunding Bonds (Juvenile Correctional Building Fund Projects) 2010 Series B (the "Series 2010 B Bonds"), for the purpose of advance refunding a portion of the currently outstanding State of Ohio (Ohio Building Authority) State Facilities Bonds (Juvenile Correctional Building Fund Projects), 2003 Series A.

The documents in the Transcript examined include executed counterparts of the Trust Agreement dated as of June 1, 1990 and the Thirteenth Supplemental Trust Agreement dated as of March 1, 2010, each between the Authority and The Bank of New York Mellon Trust Company, N.A., as successor trustee (the "Trustee") (collectively, as amended and supplemented to date, the "Trust Agreement"); Resolution No. 1990-3 of the Authority adopted on June 5, 1990; Series Resolution No. 2010-3 adopted on March 17, 2010; and the Lease Agreement dated as of June 1, 1990 and the Thirteenth Supplemental Lease dated as of March 1, 2010, each between the Authority and the Ohio Department of Youth Services (the "Department") (collectively, as amended and supplemented to date, the "Lease"). We have also examined the Constitution of the State of Ohio and such other documents, including opinions of the Attorney General of Ohio, statutes, certifications (including certifications of acts and expectations from the Authority) and records and matters of law as we have deemed necessary for purposes of this opinion. We have also examined an executed and authenticated fully registered Series 2010 B Bond of the first maturity. Unless otherwise defined herein, each of the capitalized terms used herein as a defined term shall have the meaning ascribed to such term in the Trust Agreement.

The Series 2010 B Bonds are issued under and pursuant to Section 2i of Article VII of the Ohio Constitution, Chapter 152 of the Ohio Revised Code and other authorizations by the Ohio General Assembly (the "General Assembly") and the Trust Agreement.

Based upon our examination described above and such further investigation of law as we have deemed necessary, and subject to the assumptions, qualifications, limitations and exceptions set forth below, we are of the opinion that, as of the date hereof, under existing law, as now judicially construed, together with existing regulations, rulings and court decisions:

1. The Series 2010 B Bonds have been duly authorized, executed, issued and delivered by Authority and constitute legal, valid and binding special obligations of the State in accordance with their terms and provisions. The principal of and interest and premium, if any, on the Series 2010 B Bonds are payable from and secured by a pledge and assignment of the Pledged Receipts (as defined in the Trust Agreement) to the extent described in the Trust Agreement. The Series 2010 B Bonds are not otherwise secured, and the owners of the Series 2010 B Bonds are given no right to have any excises or taxes levied by the General Assembly for the payment of principal thereof, or premium, if any, or interest thereon.

2. The Thirteenth Supplemental Trust Agreement has been duly authorized, executed and delivered by the Authority and constitutes a legal, valid and binding obligation of the Authority enforceable in accordance with its terms.

3. The Thirteenth Supplemental Lease has been duly authorized, executed and delivered by the Authority and the Department and constitutes a legal, valid and binding obligation of the Authority and the Department enforceable in accordance with its terms. Pursuant to the Lease, the Department has agreed to pay rentals to the Authority at least adequate to meet, among other requirements, the principal, estimated interest and any redemption premium on the Series 2010 B Bonds outstanding under the Trust Agreement. Pursuant to the Lease, the Department has agreed to pay such rentals to the Authority from funds appropriated to the Department for that purpose by the General Assembly, and the agreement of the Department to pay such rentals during any two year period for which appropriation may lawfully be made by the General Assembly is effective and binding upon the Department only when and to the extent that funds have been appropriated and are available for that purpose and for that period; the General Assembly is not at any time obligated to make appropriations to pay those rentals.

4. Under existing law interest on the Series 2010 B Bonds is excluded from gross income for federal income tax purposes under Section 103(a) of the Internal Revenue Code of 1986, as amended (the "Code"), and is not treated as an item of tax preference under Section 57 of the Code for purposes of the alternative minimum tax imposed on individuals and corporations. Interest on, any transfer of, and any profit made on the sale, exchange or other disposition of the Series 2010 B Bonds are exempt from the Ohio personal income tax, the Ohio corporation franchise tax (to the extent computed on the net income basis), and from income taxes imposed by municipalities and other political subdivisions in Ohio. Interest on the Series 2010 B Bonds, as is the case with most other forms of interest on debt obligations, is not subject to the Ohio commercial activity tax imposed under Chapter 5751 of the Ohio Revised Code. We express no opinion regarding other tax consequences caused by the receipt or accrual of interest on the Series 2010 B Bonds.

In giving the foregoing opinion with respect to the treatment of the interest on the Series 2010 B Bonds and the status of the Series 2010 B Bonds under the federal tax laws, we have assumed and relied upon compliance with the Authority's covenants and the accuracy of the Authority's representations and certifications contained in the transcript. The accuracy of those representations and certifications, which we have not independently verified, and the Authority's compliance with those covenants, may be necessary for the interest on the Series 2010 B Bonds to be and remain excluded from gross income and for the other tax effects stated above. Failure to comply with certain requirements subsequent to issuance of the Series 2010 B Bonds could cause interest thereon to be included in gross income for federal income tax purposes, in some cases retroactively to the date of issuance of the Series 2010 B Bonds.

Portions of the interest on the Series 2010 B Bonds may be subject to the branch profits tax imposed under Section 884 of the Code on certain foreign corporations doing business in the United States and to the tax imposed on the excess net passive income of certain S corporations by Section 1375 of the Code. Additionally, a portion of the interest on the Series 2010 B Bonds earned by certain corporations may be subject to a federal alternative minimum tax.

Our opinions are qualified in their entirety as follows: (i) the terms and provisions of any document or instrument are subject to the application of bankruptcy, insolvency, moratorium or other similar law regarding creditors' rights; (ii) the remedy of specific performance is generally discretionary with the court and may not be available with respect to the enforcement of the terms and provisions of any instrument or document; (iii) the enforcement of the rights and remedies set forth in any instrument or document may be limited by principles of materiality with respect to defaults and by the obligation of the Trustee to act in good faith; (iv) judicial decisions indicate that public policy may make unenforceable provisions in agreements respecting payment by a debtor of the costs of administration and enforcement, including, without limitation, attorneys' fees; and (v) certain of the remedial provisions and certain provisions relating to waiver, notice, course of dealing, evidentiary standards and requirements of written modification contained in the documents or instruments referred to herein may be unenforceable in whole or in part; it being our opinion, however, that, subject to the other assumptions, limitations, qualifications and exceptions hereof, the inclusion of any such provisions does not render the Trust Agreement, the Lease or any of the Series 2010 B Bonds invalid as a whole nor materially interfere with the practical realization of the benefits of any liens provided for therein.

The opinions expressed herein are limited to the laws of the State of Ohio and United States federal law. We express no opinion as to the effect or applicability under the laws of Ohio of the laws of any other jurisdiction.

This opinion is limited to the matters expressly stated herein. No implied opinion may be inferred to extend this opinion beyond the matters expressly stated herein. The opinions expressed herein are expressed solely to you and, without the express written consent of the undersigned, may not be relied upon by any other persons (except the Holders of the Series 2010 B Bonds) for any reason.

This opinion is given as of the date hereof, and we 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.

Respectfully submitted,

## APPENDIX B-2

### PROPOSED TEXTS OF BOND COUNSEL LEGAL OPINIONS FOR SERIES 2010 TAXABLE BONDS

Re: \$30,995,000 State of Ohio (Ohio Building Authority) State Facilities Bonds (Administrative Building Fund Projects), 2010 Series B (Federally Taxable-Build America Bonds-Direct Payment)

We have examined the transcript of proceedings (the "Transcript") relating to the issuance by the Ohio Building Authority (the "Authority"), on behalf of the State of Ohio (the "State"), of the \$30,995,000 State of Ohio (Ohio Building Authority) State Facilities Bonds (Administrative Building Fund Projects), 2010 Series B (Federally Taxable-Build America Bonds-Direct Payment) (the "Series 2010 B Bonds"), for the purpose of paying a portion of the costs of capital facilities, including sites thereof, for lease to the Ohio Department of Administrative Services (the "Department") for housing personnel, equipment or functions, or any combinations thereof that the Department or of the State agencies are responsible for housing.

The documents in the Transcript examined include executed counterparts of the Trust Agreement dated as of January 15, 1991 and the Twentieth Supplemental Trust Agreement dated as of March 1, 2010, each between the Authority and The Huntington National Bank, as successor trustee (the "Trustee") (collectively, as amended and supplemented to date, the "Trust Agreement"); Resolution No. 1990-12 of the Authority adopted on December 12, 1990; Series Resolution No. 2010-1 adopted on March 17, 2010; and the Lease Agreement dated as of January 15, 1991 and the Twentieth Supplemental Lease dated as of March 1, 2010, each between the Authority and the Department (collectively, as amended and supplemented to date, the "Lease"). We have also examined the Constitution of the State of Ohio and such other documents, including opinions of the Attorney General of Ohio, statutes, certifications (including certifications of acts and expectations from the Authority) and records and matters of law as we have deemed necessary for purposes of this opinion. We have also examined an executed and authenticated fully registered Series 2010 B Bond of the first maturity. Unless otherwise defined herein, each of the capitalized terms used herein as a defined term shall have the meaning ascribed to such term in the Trust Agreement.

The Series 2010 B Bonds are issued under and pursuant to Section 2i of Article VII of the Ohio Constitution, Chapter 152 of the Ohio Revised Code and other authorizations by the Ohio General Assembly (the "General Assembly") and the Trust Agreement.

Based upon our examination described above and such further investigation of law as we have deemed necessary, and subject to the assumptions, qualifications, limitations and exceptions set forth below, we are of the opinion that, as of the date hereof, under existing law, as now judicially construed, together with existing regulations, rulings and court decisions:

1. The Series 2010 B Bonds have been duly authorized, executed, issued and delivered by Authority and constitute legal, valid and binding special obligations of the State in accordance with their terms and provisions. The principal of and interest and premium, if any, on the Series 2010 B Bonds are payable from and secured by a pledge and assignment of the Pledged Receipts (as defined in the Trust Agreement) to the extent described in the Trust Agreement. The Series 2010 B Bonds are not otherwise secured, and the owners of the Series 2010 B Bonds are given no right to have any excises or taxes levied by the General Assembly for the payment of principal thereof, or premium, if any, or interest thereon.

2. The Twentieth Supplemental Trust Agreement has been duly authorized, executed and delivered by the Authority and constitutes a legal, valid and binding obligation of the Authority enforceable in accordance with its terms.

3. The Twentieth Supplemental Lease has been duly authorized, executed and delivered by the Authority and the Department and constitutes a legal, valid and binding obligation of the Authority and the Department enforceable in accordance with its terms. Pursuant to the Lease, the Department has agreed to pay rentals to the Authority at least adequate to meet, among other requirements, the principal, estimated interest and any redemption premium on the Series 2010 B Bonds outstanding under the Trust Agreement. Pursuant to the Lease, the Department has agreed to pay such rentals to the Authority from funds appropriated to the Department for that purpose by the General Assembly, and the agreement of the Department to pay such rentals during any two year period for which appropriation may lawfully be made by the General Assembly is effective and binding upon the Department only when and to the extent that funds have been appropriated and are available for that purpose and for that period; the General Assembly is not at any time obligated to make appropriations to pay those rentals.

4. Under existing law interest on the Series 2010 B Bonds is **not** excluded from gross income for federal income tax purposes. Interest on, any transfer of, and any profit made on the sale, exchange or other disposition of, the Series 2010 B Bonds are exempt from the Ohio corporation franchise tax (to the extent computed on the net income basis), the Ohio personal income tax, and income taxes imposed by municipalities and other political subdivisions in Ohio. Interest on the Series 2010 B Bonds, as is the case with most other forms of interest on debt obligations, is not subject to the Ohio commercial activity tax imposed under Section 5751 of the Ohio Revised Code. We express no opinion regarding other tax consequences caused by the receipt or accrual of interest on the Bonds.

Our opinions are qualified in their entirety as follows: (i) the terms and provisions of any document or instrument are subject to the application of bankruptcy, insolvency, moratorium or other similar law regarding creditors' rights; (ii) the remedy of specific performance is generally discretionary with the court and may not be available with respect to the enforcement of the terms and provisions of any instrument or document; (iii) the enforcement of the rights and remedies set forth in any instrument or document may be limited by principles of materiality with respect to defaults and by the obligation of the Trustee to act in good faith; (iv) judicial decisions indicate that public policy may make unenforceable provisions in agreements respecting payment by a debtor of the costs of administration and enforcement, including, without limitation, attorneys' fees; and (v) certain of the remedial provisions and certain provisions relating to waiver, notice, course of dealing, evidentiary standards and requirements of written modification contained in the documents or instruments referred to herein may be unenforceable in whole or in part; it being our opinion, however, that, subject to the other assumptions, limitations, qualifications and exceptions hereof, the inclusion of any such provisions does not render the Trust Agreement, the Lease or any of the Series 2010 B Bonds invalid as a whole nor materially interfere with the practical realization of the benefits of any liens provided for therein.

The opinions expressed herein are limited to the laws of the State of Ohio and United States federal law. We express no opinion as to the effect or applicability under the laws of Ohio of the laws of any other jurisdiction.

This opinion is limited to the matters expressly stated herein. No implied opinion may be inferred to extend this opinion beyond the matters expressly stated herein. The opinions expressed herein are expressed solely to you and, without the express written consent of the undersigned, may not be relied upon by any other persons (except the Holders of the Series 2010 B Bonds) for any reason.

This opinion is given as of the date hereof, and we 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.

Respectfully submitted,

Re: \$9,555,000 State of Ohio (Ohio Building Authority) State Facilities Bonds (Juvenile Correctional Building Fund Projects), 2010 Series C (Federally Taxable-Build America Bonds-Direct Payment)

We have examined the transcript of proceedings (the "Transcript") relating to the issuance by the Ohio Building Authority (the "Authority"), on behalf of the State of Ohio (the "State"), of the \$9,555,000 State of Ohio (Ohio Building Authority) State Facilities Bonds (Juvenile Correctional Building Fund Projects), 2010 Series C (Federally Taxable-Build America Bonds-Direct Payment) (the "Series 2010 C Bonds"), for the purpose of paying a portion of the costs of capital facilities, including sites thereof, for lease to the Ohio Department of Youth Services (the "Department") and use by the Department or other governmental entities.

The documents in the Transcript examined include executed counterparts of the Trust Agreement dated as of June 1, 1991 and the Thirteenth Supplemental Trust Agreement dated as of March 1, 2010, each between the Authority and The Bank of New York Mellon Trust Company, N.A., as successor trustee (the "Trustee") (collectively, as amended and supplemented to date, the "Trust Agreement"); Resolution No. 1990-3 of the Authority adopted on June 5, 1990; Series Resolution No. 2010-3 adopted on March 17, 2010; and the Lease Agreement dated as of June 1, 1990 and the Thirteenth Supplemental Lease dated as of March 1, 2010, each between the Authority and the Department (collectively, as amended and supplemented to date, the "Lease"). We have also examined the Constitution of the State of Ohio and such other documents, including opinions of the Attorney General of Ohio, statutes, certifications (including certifications of acts and expectations from the Authority) and records and matters of law as we have deemed necessary for purposes of this opinion. We have also examined an executed and authenticated fully registered Series 2010 C Bond of the first maturity. Unless otherwise defined herein, each of the capitalized terms used herein as a defined term shall have the meaning ascribed to such term in the Trust Agreement.

The Series 2010 C Bonds are issued under and pursuant to Section 2i of Article VII of the Ohio Constitution, Chapter 152 of the Ohio Revised Code and other authorizations by the Ohio General Assembly (the "General Assembly") and the Trust Agreement.

Based upon our examination described above and such further investigation of law as we have deemed necessary, and subject to the assumptions, qualifications, limitations and exceptions set forth below, we are of the opinion that, as of the date hereof, under existing law, as now judicially construed, together with existing regulations, rulings and court decisions:

1. The Series 2010 C Bonds have been duly authorized, executed, issued and delivered by Authority and constitute legal, valid and binding special obligations of the State in accordance with their terms and provisions. The principal of and interest and premium, if any, on the Series 2010 C Bonds are payable from and secured by a pledge and assignment of the Pledged Receipts (as defined in the Trust Agreement) to the extent described in the Trust Agreement. The Series 2010 C Bonds are not otherwise secured, and the owners of the Series 2010 C Bonds are given no right to have any excises or taxes levied by the General Assembly for the payment of principal thereof, or premium, if any, or interest thereon.

2. The Twentieth Supplemental Trust Agreement has been duly authorized, executed and delivered by the Authority and constitutes a legal, valid and binding obligation of the Authority enforceable in accordance with its terms.

3. The Twentieth Supplemental Lease has been duly authorized, executed and delivered by the Authority and the Department and constitutes a legal, valid and binding obligation of the Authority and the Department enforceable in accordance with its terms. Pursuant to the Lease, the Department has agreed to pay rentals to the Authority at least adequate to meet, among other requirements, the principal, estimated interest and any redemption premium on the Series 2010 C Bonds outstanding under the Trust Agreement. Pursuant to the Lease, the Department has agreed to pay such rentals to the Authority from funds appropriated to the Department for that purpose by the General Assembly, and the agreement of the Department to pay such rentals during any two year period for which appropriation may lawfully be made by the General Assembly is effective and binding upon the

Department only when and to the extent that funds have been appropriated and are available for that purpose and for that period; the General Assembly is not at any time obligated to make appropriations to pay those rentals.

4. Under existing law interest on the Series 2010 C Bonds is **not** excluded from gross income for federal income tax purposes. Interest on, any transfer of, and any profit made on the sale, exchange or other disposition of, the Series 2010 C Bonds are exempt from the Ohio corporation franchise tax (to the extent computed on the net income basis), the Ohio personal income tax, and income taxes imposed by municipalities and other political subdivisions in Ohio. Interest on the Series 2010 C Bonds, as is the case with most other forms of interest on debt obligations, is not subject to the Ohio commercial activity tax imposed under Section 5751 of the Ohio Revised Code. We express no opinion regarding other tax consequences caused by the receipt or accrual of interest on the Series 2010 C Bonds.

Our opinions are qualified in their entirety as follows: (i) the terms and provisions of any document or instrument are subject to the application of bankruptcy, insolvency, moratorium or other similar law regarding creditors' rights; (ii) the remedy of specific performance is generally discretionary with the court and may not be available with respect to the enforcement of the terms and provisions of any instrument or document; (iii) the enforcement of the rights and remedies set forth in any instrument or document may be limited by principles of materiality with respect to defaults and by the obligation of the Trustee to act in good faith; (iv) judicial decisions indicate that public policy may make unenforceable provisions in agreements respecting payment by a debtor of the costs of administration and enforcement, including, without limitation, attorneys' fees; and (v) certain of the remedial provisions and certain provisions relating to waiver, notice, course of dealing, evidentiary standards and requirements of written modification contained in the documents or instruments referred to herein may be unenforceable in whole or in part; it being our opinion, however, that, subject to the other assumptions, limitations, qualifications and exceptions hereof, the inclusion of any such provisions does not render the Trust Agreement, the Lease or any of the Series 2010 C Bonds invalid as a whole nor materially interfere with the practical realization of the benefits of any liens provided for therein.

The opinions expressed herein are limited to the laws of the State of Ohio and United States federal law. We express no opinion as to the effect or applicability under the laws of Ohio of the laws of any other jurisdiction.

This opinion is limited to the matters expressly stated herein. No implied opinion may be inferred to extend this opinion beyond the matters expressly stated herein. The opinions expressed herein are expressed solely to you and, without the express written consent of the undersigned, may not be relied upon by any other persons (except the Holders of the Series 2010 C Bonds) for any reason.

This opinion is given as of the date hereof, and we 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.

Respectfully submitted,