

TEMPORARY ORDINANCE NO. 2-14

PERMANENT ORDINANCE NO. _____

AN ORDINANCE PROVIDING FOR THE ISSUANCE AND SALE OF BONDS IN THE AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED EIGHT MILLION FIVE HUNDRED THOUSAND DOLLARS (\$8,500,000), TO PAY THE COSTS OF RENOVATING AN EXISTING BUILDING FOR USE BY THE CITY'S MUNICIPAL COURT, TOGETHER WITH ALL NECESSARY APPURTENANCES THERETO; APPROVING A PRELIMINARY OFFICIAL STATEMENT; AUTHORIZING THE PREPARATION, USE AND EXECUTION OF AN OFFICIAL STATEMENT; APPROVING AND AUTHORIZING THE EXECUTION AND DELIVERY OF A FINAL TERMS CERTIFICATE, A BOND REGISTRAR AGREEMENT, A BOND PURCHASE AGREEMENT AND A CONTINUING DISCLOSURE AGREEMENT; AUTHORIZING CERTAIN OTHER ACTIONS RELATED TO THE ISSUANCE OF THE BONDS; AND DECLARING AN EMERGENCY

WHEREAS, the City intends to issue bonds, as further described in Section 2, to pay the costs of renovating an existing building for use by the City's Municipal Court, together with all necessary appurtenances thereto (the "Improvement"); and

WHEREAS, the Auditor as fiscal officer of this City has certified to this Council that the estimated life or period of usefulness of the Improvement to be financed by the Bonds is at least five years and the estimated maximum maturity of the Bonds is 30 years;

NOW, THEREFORE, BE IT ORDAINED by the Council of the City of Lancaster, County of Fairfield, Ohio, that:

SECTION 1. Definitions and Interpretation. In addition to the words and terms defined elsewhere in this Ordinance, unless the context or use clearly indicates another or different meaning or intent:

"Auditor" means the City Auditor.

"Authorized Denominations" means the denomination of \$5,000 or any integral multiple thereof.

"Bond proceedings" means, collectively, this Ordinance, the Bond Registrar Agreement, the Bond Purchase Agreement, the Final Terms Certificate, the Continuing Disclosure Agreement and such other proceedings of the City, including the Bonds, that provide collectively for, among other things, the rights of owners of the Bonds.

"Bond Purchase Agreement" means the Bond Purchase Agreement between the City and the Original Purchaser now on file with the Clerk of this Council and authorized by this Ordinance.

"Bond Register" means all books and records necessary for the registration, exchange and transfer of the Bonds as provided in this Ordinance and the Bond Registrar Agreement.

“Bond Registrar” means the bank or trust company appointed by the Auditor in the Final Terms Certificate to act as the initial authenticating agent, bond registrar, transfer agent and paying agent for the Bonds under the Bond Registrar Agreement and until a successor Bond Registrar shall have become such pursuant to the provisions of the Bond Registrar Agreement and, thereafter, “Bond Registrar” shall mean the successor Bond Registrar.

“Bond Registrar Agreement” means the Bond Registrar Agreement between the City and the Bond Registrar now on file with the Clerk of this Council and authorized by this Ordinance.

“Bonds” means the City’s Courthouse Improvement Bonds, Series 2014 authorized by this Ordinance.

“Book entry form” or “book entry system” means a form or system under which (a) the ownership of beneficial interests in Bonds and the principal of and interest on the Bonds may be transferred only through a book entry, and (b) physical Bond certificates in fully registered form are issued by the City only to a Depository or its nominee as registered owner, with the Bonds “immobilized” in the custody of the Depository. The book entry maintained by an entity other than the City is the record that identifies the owners of beneficial interests in those Bonds and that principal and interest.

“City” means the City of Lancaster, Ohio.

“City Council” means the Council of the City.

“Clerk” means the Clerk of City Council.

“Closing Date” means the date of physical delivery of, and payment of the purchase price for, the Bonds.

“Code” means the Internal Revenue Code of 1986, the Regulations (whether temporary or final) under that Code or the statutory predecessor of that Code, and any amendments of, or successor provisions to, the foregoing and any official rulings, announcements, notices, procedures and judicial determinations regarding any of the foregoing, all as and to the extent applicable. Unless otherwise indicated, reference to a Section of the Code includes any applicable successor section or provision and such applicable Regulations, rulings, announcements, notices, procedures and determinations pertinent to that Section.

“Continuing Disclosure Agreement” means the Continuing Disclosure Agreement now on file with the Clerk of this Council and authorized by this Ordinance.

“Depository” means any securities depository that is a clearing agency under federal law operating and maintaining, with its Participants or otherwise, a book entry system to record ownership of beneficial interests in Bonds or the principal of and interest on Bonds, and to effect transfers of Bonds, in book entry form, and includes and means initially The Depository Trust Company (a limited purpose trust company), New York, New York.

“Director of Law” means the Law Director of the City.

“Final Terms Certificate” means the Final Terms Certificate authorized by this Ordinance to be executed by the Auditor.

“Interest Payment Dates” means June 1 and December 1 of each year that the Bonds are outstanding, commencing June 1, 2014 or such later date determined by the Auditor in the Final Terms Certificate.

“Mandatory Redemption” means the obligation to redeem Term Bonds as provided in Section 3(e)(i) and the Final Terms Certificate.

“Mandatory Sinking Fund Redemption Dates” means those Principal Payment Dates set forth in the Final Terms Certificate on which a portion of the principal amount of the Term Bonds are required to be redeemed.

“Original Purchaser” means Fifth Third Securities, Inc.

“Participant” means any participant contracting with a Depository under a book entry system and includes securities brokers and dealers, banks and trust companies, and clearing corporations.

“Preliminary Official Statement” means the preliminary official statement of the City relating to the issuance of the Bonds substantially in the form now on file with the Auditor.

“Principal Payment Dates” means December 1 in each of the years from and including 2014 to and including 2044; provided, however, that the first Principal Payment Date may be deferred one year and the final Principal Payment Date may be advanced up to eight years if such actions are determined by the Auditor in the Final Terms Certificate to be in the best interest of the City and further provided that in no case shall the last Principal Payment Date exceed the maximum maturity of the Bonds.

“Rule” means Rule 15c2-12 promulgated by the SEC pursuant to the Securities Exchange Act of 1934.

“SEC” means the Securities and Exchange Commission.

“Serial Bonds” means those Bonds designated as such and maturing on the Principal Payment Dates set forth in the Final Terms Certificate.

“Term Bonds” means those Bonds designated as such and maturing on the Principal Payment Dates set forth in the Final Terms Certificate.

The captions and headings in this Ordinance are solely for convenience of reference and in no way define, limit or describe the scope or intent of any Sections, subsections, paragraphs, subparagraphs or clauses hereof. Reference to a Section means a section of this Ordinance unless otherwise indicated.

SECTION 2. Authorized Principal Amount; Application of Proceeds. It is necessary and determined to be in the City’s best interest to issue bonds of this City in an aggregate principal amount not to exceed \$8,500,000 (the “Bonds”) to pay costs of the Improvement and to pay costs of issuing the Bonds. The aggregate principal amount of Bonds to be issued (not to exceed \$8,500,000) shall be determined by the Auditor in the Final Terms Certificate to be the aggregate principal amount of Bonds that is required to be issued at this time for the purpose stated in this Section 2.

The proceeds from the sale of the Bonds, except for any accrued interest, shall be deposited into a proper fund or funds and used, together with other moneys available to the City, to pay the costs of the Improvement and to pay costs of the issuance of the Bonds. Any accrued interest from the sale of the Bonds shall be deposited into the Bond Retirement Fund and used to pay interest on the Bonds when due. All interest earned on amounts on deposit in each of those funds derived from the proceeds of the Bonds (including interest earned on such interest) shall be credited to the fund and used for the purposes set forth above, and shall not be transferred to the General Fund. All of the proceeds from the sale of the Bonds and interest earned on those proceeds are hereby appropriated for the purposes set forth above.

SECTION 3. Denominations; Dating; Principal and Interest Payment and Redemption Provisions. The Bonds shall be issued in one lot and only as fully registered bonds, in the Authorized Denominations, but in no case as to a particular maturity date exceeding the principal amount maturing on that date. The Bonds shall be dated the Closing Date.

(a) *Interest Rates and Payment Dates.* The Bonds shall bear interest at the rate or rates of interest per year (computed on a 360-day year basis consisting of twelve 30-day months), as shall be determined by the Auditor in the Final Terms Certificate (subject to subsection (c) of this Section). Interest on the Bonds shall be payable at such rate or rates on the Interest Payment Dates until the principal amount has been paid or provided for. The Bonds shall bear interest from the most recent date to which interest has been paid or provided for or, if no interest has been paid or provided for, from their date.

(b) *Principal Payment Schedule.* The Bonds shall mature or be payable pursuant to Mandatory Redemption on the Principal Payment Dates in principal amounts as shall be determined by the Auditor in the Final Terms Certificate subject to subsection (c) of this Section.

Consistent with the foregoing and in accordance with her determination of the best interest of and financial advantages to the City, the Auditor shall specify in the Final Terms Certificate (i) the aggregate principal amount of Bonds to be issued as Serial Bonds, if any, the Principal Payment Date or Dates on which those Serial Bonds shall be stated to mature, and the principal amount thereof that shall be stated to mature on each such Principal Payment Date, and (ii) the aggregate principal amount of the Bonds to be issued as Term Bonds, if any, the Principal Payment Date or Dates on which those Term Bonds shall be stated to mature and the dates and amounts of Mandatory Redemption applicable to those Term Bonds.

(c) *Conditions for Establishment of Interest Rates and Principal Payment Dates and Amounts.* The rate or rates of interest per year to be borne by the Bonds, and the principal amount of Bonds maturing, shall be such that the total principal and interest payments on the Bonds in any fiscal year in which principal is payable is not more than three times the amount of those payments in any other fiscal year. The net interest rate for the Bonds, determined by taking into account the Principal Payment Dates and the principal amounts due on the Bonds (at maturity or by Mandatory Redemption) shall not exceed 6% per year.

(d) *Payment of Principal and Interest.* The principal of and any premium and interest on the Bonds shall be payable in lawful money of the United States of America without deduction for the services of the Bond Registrar as paying agent. Principal of and any premium on the Bonds, shall be payable when due upon presentation and surrender of the Bonds at the corporate trust office of the Bond Registrar designated in the Bond Registrar Agreement. Interest on a Bond shall be paid on each

Interest Payment Date by check or draft mailed to the person in whose name the Bond was registered, and to that person's address appearing, on the Bond Register at the close of business on the 15th day of the calendar month next preceding that Interest Payment Date. Notwithstanding the foregoing, if and so long as the Bonds are issued in a book entry system, principal of and interest and any premium on the Bonds shall be payable in the manner provided in any agreement entered into by the Auditor, in the name and on behalf of the City, in connection with the book entry system.

(e) *Redemption Provisions.* The Bonds shall be subject to redemption prior to maturity as follows:

(i) *Mandatory Sinking Fund Redemption.* If any of the Bonds are issued as Term Bonds, the Term Bonds shall be subject to and redeemed pursuant to mandatory redemption on the Principal Payment Dates set forth in the Final Terms Certificate at a price equal to 100% of the principal amount of the Term Bonds to be redeemed.

The City shall have the option to deliver to the Bond Registrar for cancellation Term Bonds in any aggregate principal amount and to receive a credit against the then current or any subsequent Mandatory Redemption for the Term Bonds so delivered. That option shall be exercised by the City on or before the 15th day preceding any Mandatory Redemption with respect to which the City wishes to obtain a credit, by furnishing the Bond Registrar a certificate, signed by the Auditor, setting forth the extent of the credit to be applied with respect to the then current or any subsequent Mandatory Redemption for the Term Bonds. If the certificate is not timely furnished to the Bond Registrar, the current Mandatory Redemption shall not be reduced. A credit against the then current or any subsequent Mandatory Redemption also shall be received by the City for any Term Bonds which prior thereto have been redeemed (other than by Mandatory Redemption) or purchased for cancellation and canceled by the Bond Registrar, to the extent not applied theretofore as a credit against any Mandatory Redemption, for the Term Bonds so redeemed or purchased and canceled.

Each Term Bond so delivered, or previously redeemed, or purchased and canceled, shall be credited by the Bond Registrar at 100% of the principal amount thereof against the then current or subsequent Mandatory Redemption for the Term Bonds so delivered, redeemed or purchased and canceled.

(ii) *Optional Redemption.* Certain maturities of Bonds may be subject to optional redemption by and at the sole option of the City, in whole or in integral multiples of \$5,000 on the dates, in the years and at the redemption prices (expressed as a percentage of the principal amount to be redeemed), plus accrued interest to the redemption date, all to be determined by the Auditor in the Final Terms Certificate provided that no redemption price shall be greater than 103%.

If optional redemption of Term Bonds at a redemption price exceeding 100% of the principal amount to be redeemed is to take place as of any Mandatory Sinking Fund Redemption Date applicable to those Term Bonds, the Term Bonds, or portions

thereof, to be redeemed optionally shall be selected by lot prior to the selection by lot of the Term Bonds of the same maturity to be redeemed by Mandatory Redemption on that date. The Bonds to be redeemed pursuant to this paragraph shall be redeemed only upon written notice from the Auditor to the Bond Registrar, given upon the direction of this Board by adoption of an Ordinance. That notice shall specify the redemption date and the principal amount of each maturity of Bonds to be redeemed, and shall be given at least 45 days prior to the redemption date or such shorter period as shall be acceptable to the Bond Registrar.

There shall be deposited with the Bond Registrar on or prior to the redemption date, moneys that, in addition to any other money available therefore and held by the Bond Registrar, will be sufficient to redeem the Bonds for which notice of redemption has been given.

(iii) Partial Redemption. If fewer than all of the Bonds are called for optional redemption at one time, they shall be called as selected by, and in a manner determined by the City. If fewer than all Bonds of a single maturity are to be redeemed, the selection of the Bonds to be redeemed, or portions thereof in Authorized Denominations shall be made by the Bond Registrar by lot in a manner determined by the Bond Registrar. In the case of partial redemption of Bonds by lot when Bonds in denominations greater than \$5,000 are then outstanding, each \$5,000 unit of principal shall be treated as if it were a separate Bond of the denomination of \$5,000. If it is determined that one or more, but not all, of the \$5,000 units of principal amount represented by a Bond are to be called for redemption, then upon notice of a redemption of a \$5,000 unit or units, the registered owner of that Bond shall surrender the Bond to the Bond Registrar (A) for payment of the redemption price of the \$5,000 unit or units called for redemption (including accrued interest to the redemption date), and (B) issuance, without charge to the registered owner, of a new Bond or Bonds of any Authorized Denomination in an aggregate principal amount equal to the unmatured and unredeemed portion, and bearing interest at the same rate and maturing on the same date as, the Bond surrendered.

(iv) Notice of Redemption. The notice of the call for redemption of Bonds shall identify (A) by designation, letters, numbers or other distinguishing marks, the Bonds or portions thereof to be redeemed, (B) the redemption price to be paid, (C) the date fixed for redemption, and (D) the place or places where the amounts due upon redemption are payable. The notice shall be given by the Bond Registrar on behalf of the City by mailing a copy of the redemption notice by first class mail, postage prepaid, at least 30 days prior to the date fixed for redemption, to the registered owner of each Bond subject to redemption in whole or in part at the registered owner's address shown on the Bond Register at the close of business on the fifteenth day preceding that mailing. Failure to receive notice by mail or any defect in that notice regarding any Bond, however, shall not affect the validity of the proceedings for the redemption of any Bond.

(v) Payment of Redeemed Bonds. Notice having been mailed in the manner provided in the preceding paragraph hereof, the Bonds and portions thereof called for redemption shall become due and payable on the redemption date, and, upon presentation and surrender thereof at the place or places specified in that notice, shall be paid at the redemption price, plus interest accrued to the redemption date. If money for the redemption of all of the Bonds and portions thereof to be redeemed, together with interest accrued thereon to the redemption date, is held by the Bond Registrar on the redemption date, so as to be available

therefore on that date and, if notice of redemption has been deposited in the mail as aforesaid, then from and after the redemption date those Bonds and portions thereof called for redemption shall cease to bear interest and no longer shall be considered to be outstanding. If that money shall not be so available on the redemption date, or that notice shall not have been deposited in the mail as aforesaid, those Bonds and portions thereof shall continue to bear interest, until they are paid, at the same rate as they would have borne had they not been called for redemption. All money held by the Bond Registrar for the redemption of particular Bonds shall be held in trust for the account of the registered owners thereof and shall be paid to them, respectively, upon presentation and surrender of those Bonds.

SECTION 4. Execution and Authentication of Bonds; Appointment of Bond Registrar. The Bonds shall be signed by the Mayor and the Auditor, in the name of the City and in their official capacities, provided that either or both of those signatures may be a facsimile. The Bonds shall be issued in the Authorized Denominations and numbers as requested by the Original Purchaser and approved by the Auditor, shall be numbered as determined by the Auditor in order to distinguish each Bond from any other Bond and shall express upon their faces the purpose, in summary terms, for which they are issued and that they are issued pursuant to this Ordinance.

The Auditor shall appoint a bank or trust company located in the State of Ohio to act as the initial Bond Registrar after determining that the appointed bank or trust company will not endanger the funds or securities of the City and that proper safeguards are available for that purpose and that appointment shall be confirmed in the Final Terms Certificate. The Bond Registrar Agreement is approved, and the Auditor is authorized to sign and deliver, in the name and on behalf of the City, the Bond Registrar Agreement with any changes that are not inconsistent with this Ordinance, are not materially adverse to the City and are approved by the Auditor. That such changes are not materially adverse to the City and have been approved by the Auditor shall be conclusively evidenced by the Auditor's signing of the Bond Registrar Agreement. The Auditor shall provide for the payment of the services rendered and for reimbursement of expenses incurred pursuant to the Bond Registrar Agreement, except to the extent paid or reimbursed by the Original Purchaser in accordance with the Bond Purchase Agreement, from the proceeds of the Bonds to the extent available and then from other money lawfully available and appropriated or to be appropriated for that purpose.

No Bond shall be valid or obligatory for any purpose or shall be entitled to any security or benefit under the Bond proceedings unless and until the certificate of authentication printed on the Bond is signed by the Bond Registrar as authenticating agent. Authentication by the Bond Registrar shall be conclusive evidence that the Bond so authenticated has been duly issued, signed and delivered under, and is entitled to the security and benefit of, the Bond proceedings. The certificate of authentication may be signed by any authorized officer or employee of the Bond Registrar or by any other person acting as an agent of the Bond Registrar and approved by the Auditor on behalf of the City. The same person need not sign the certificate of authentication on all of the Bonds.

SECTION 5. Registration; Transfer and Exchange; Book Entry System.

(a) *Bond Register.* So long as any of the Bonds remain outstanding, the City

will cause the Bond Registrar to maintain and keep the Bond Register at its designated corporate trust office. Except for purposes of the Continuing Disclosure Agreement, the person in whose name a Bond is registered on the Bond Register shall be regarded as the absolute owner of that Bond for all purposes of the Bond proceedings. Payment of or on account of the principal of and interest on any Bond shall be made only to or upon the order of that person; neither the City nor the Bond Registrar shall be affected by any notice to the contrary, but the registration may be changed as provided in this Section. All such payments shall be valid and effectual to satisfy and discharge the City's liability upon the Bond, including interest, to the extent of the amount or amounts so paid.

(b) *Transfer and Exchange.* Any Bond may be exchanged for Bonds of any Authorized Denomination upon presentation and surrender at the designated corporate trust office of the Bond Registrar, together with a request for exchange signed by the registered owner or by a person legally empowered to do so in a form satisfactory to the Bond Registrar. A Bond may be transferred only on the Bond Register upon presentation and surrender of the Bond at a designated office of the Bond Registrar together with an assignment signed by the registered owner or by a person legally empowered to do so in a form satisfactory to the Bond Registrar. Upon exchange or transfer the Bond Registrar shall complete, authenticate and deliver a new Bond or Bonds of any Authorized Denomination or Denominations requested by the owner equal in the aggregate to the unmatured principal amount of the Bond surrendered and bearing interest at the same rate and maturing on the same date.

If manual signatures on behalf of the City are required, the Bond Registrar shall undertake the exchange or transfer of Bonds only after the new Bonds are signed by the authorized officers of the City. In all cases of Bonds exchanged or transferred, the City shall sign and the Bond Registrar shall authenticate and deliver Bonds in accordance with the provisions of the Bond proceedings. The exchange or transfer shall be without charge to the owner, except that the City and Bond Registrar may make a charge sufficient to reimburse them for any tax or other governmental charge required to be paid with respect to the exchange or transfer. The City or the Bond Registrar may require that those charges, if any, be paid before the procedure is begun for the exchange or transfer. All Bonds issued and authenticated upon any exchange or transfer shall be valid obligations of the City, evidencing the same debt, and entitled to the same security and benefit under the Bond proceedings as the Bonds surrendered upon that exchange or transfer. Neither the City nor the Bond Registrar shall be required to make any exchange or transfer of (i) Bonds then subject to call for redemption between the 15th day preceding the mailing of notice of Bonds to be redeemed and the date of that mailing, or (ii) any Bond selected for redemption, in whole or in part.

(c) *Book Entry System.* The Bonds may be issued to a Depository for use in a book entry system and, if and as long as a book entry system is utilized, (i) the Bonds may be issued in the form of a single, fully registered Bond representing each maturity and registered in the name of the Depository or its nominee, as registered owner, and immobilized in the custody of the Depository; (ii) the book entry interest owners in book entry form shall have no right to receive Bonds in the form of physical securities or certificates; (iii) ownership of beneficial interests in book entry form shall be shown by book entry on the system maintained and operated by the Depository and its Participants, and transfers of the ownership of beneficial interests shall be made only by book entry by the Depository and its Participants; and (iv) the Bonds as such shall not be transferable or exchangeable, except for transfer to another Depository or to another nominee of a Depository, without further action by the City.

If any Depository determines not to continue to act as a Depository for the Bonds for use in a book entry system, the Auditor may attempt to establish a securities depository/book entry relationship

with another qualified Depository. If the Auditor does not or is unable to do so, the Auditor, and after the Bond Registrar has made provision for notification of the book entry interest owners by the then Depository and any other arrangements deemed necessary, shall permit withdrawal of the Bonds from the Depository, and the City and the Bond Registrar authenticate and deliver bond certificates in registered form to the assigns of the Depository or its nominee, all at the cost and expense (including any costs of printing), if the event is not the result of City action or inaction, of those persons requesting such issuance.

The Auditor is also hereby authorized and directed to the extent necessary or required to enter into any agreements determined necessary in connection with the book entry system for the Bonds, after determining that the signing thereof will not endanger the funds or securities of the City.

SECTION 6. Sale of the Bonds to the Original Purchaser. The Bonds are to be sold at private sale to the Original Purchaser at a purchase price of not less than 97% of the aggregate principal amount of the Bonds as shall be determined by the Auditor in the Final Terms Certificate, with and upon such other terms as are required or authorized by this Ordinance to be specified in the Final Terms Certificate, all in accordance with law, the provisions of this Ordinance and the Bond Purchase Agreement. The Auditor is authorized, if it is determined to be in the best interest of the City, to combine the issue of Bonds with one or more other bond issues of the City into a consolidated bond issue pursuant to Section 133.30(B) of the Revised Code.

The Bond Purchase Agreement in the form now on file with the Clerk is approved. The Auditor is authorized to sign and deliver, in the name and on behalf of the City, the Bond Purchase Agreement, with any changes or amendments that are not inconsistent with this Ordinance, are not materially adverse to the City and are approved by the Auditor. That any such changes are not materially adverse to the City and are approved by the Auditor shall be conclusively evidenced by the Auditor's signing of the Bond Purchase Agreement. The Auditor shall sign and deliver the Final Terms Certificate and shall cause the Bonds to be prepared and signed and delivered, together with a true transcript of proceedings with reference to the issuance of the Bonds, to the Original Purchaser upon payment of the purchase price. The Mayor, the Auditor, the Director of Law, the Clerk and other City officials, as appropriate, each are authorized and directed to sign any transcript certificates, financial statements and other documents and instruments and to take such actions as are necessary or appropriate to consummate the transactions contemplated by this Ordinance.

SECTION 7. Provisions for Tax Levy. There shall be levied on all the taxable property in the City, in addition to all other taxes, a direct tax annually during the period the Bonds are outstanding in an amount sufficient to pay the principal of and interest on the Bonds when due, which tax shall not be less than the interest and sinking fund tax required by Section 11 of Article XII of the Ohio Constitution. The tax shall be within the ten-mill limitation imposed by law, shall be and is ordered computed, certified, levied and extended upon the tax duplicate and collected by the same officers, in the same manner and at the same time that taxes for general purposes for each of those years are certified, levied, extended and collected, and shall be placed before and in preference to all other items and for the full amount thereof. The proceeds of the tax levy shall be placed in the Bond Retirement Fund, which is irrevocably pledged for the payment of the principal of and interest on the Bonds when and as the same fall due.

SECTION 8. Federal Tax Considerations. The City covenants that it will use, and will restrict the use and investment of, the proceeds of the Bonds in such manner and to such extent as may be necessary so that (a) the Bonds will not (i) constitute private activity bonds, arbitrage bonds or hedge bonds under Section 141, 148 or 149 of the Code, or (ii) be treated other than as bonds to which Section 103(a) of the Code applies, and (b) the interest thereon will not be treated as an item of tax preference under Section 57 of the Code.

The City further covenants that (a) it will take or cause to be taken such actions that may be required of it for the interest on the Bonds to be and to remain excluded from gross income for federal income tax purposes, (b) it will not take or authorize to be taken any actions that would adversely affect that exclusion, and (c) it, or persons acting for it, will, among other acts of compliance, (i) apply the proceeds of the Bonds to the governmental purposes of the borrowing, (ii) restrict the yield on investment property, (iii) make timely and adequate payments to the federal government, (iv) maintain books and records and make calculations and reports, and (v) refrain from certain uses of the proceeds of the Bonds and, as applicable, of property financed with such proceeds, all in such manner and to the extent necessary to assure such exclusion of that interest under the Code.

The City hereby designates the Bonds as “qualified tax-exempt obligations” for purposes of Section 265(b)(3) of the Code. In connection with that designation, the City hereby represents and covenants that it, together with all its subordinate entities or entities that issue obligations on its behalf, or on behalf of which it issues obligations, in or during the calendar year in which the Bonds are issued, (i) have not issued and will not issue tax-exempt obligations designated as “qualified tax-exempt obligations” for purposes of Section 265(b)(3) of the Code, including the Bonds, in an aggregate principal amount in excess of \$10,000,000, and (ii) have not issued, do not reasonably anticipate issuing, and will not issue, tax-exempt obligations (including the Bonds, but excluding the other obligations that are “private activity bonds” as defined in Section 141 of the Code, and excluding refunding obligations that are not “advance refunding obligations” as defined in Section 149(d)(5) of the Code) in an aggregate amount exceeding \$10,000,000, unless the City first obtains a written opinion of nationally recognized bond counsel that such designation or issuance, as applicable, will not adversely affect the status of the Bonds as “qualified tax-exempt obligations”. The City further represents that it has not formed or participated in the formation of, or benefited from or availed itself of, any entity in order to avoid the purposes of subparagraph (C) or (D) of Section 265(b)(3) of the Code, and covenants that it will not form, participate in the formation of, or benefit from or avail itself of any such entity. The City further represents that the Bonds are not being issued as part of a direct or indirect composition issue that combines issues or lots of tax-exempt obligations of different issuers.

The Auditor, as the fiscal officer, or any other officer of the City having responsibility for issuance of the Bonds is hereby authorized (a) to make or effect any election, selection, designation, choice, consent, approval, or waiver on behalf of the City with respect to the Bonds as the City is permitted or required to make or give under the federal income tax laws, including, without limitation thereto, any of the elections provided for in Section 148(f)(4)(C) of the Code or available under Section 148 of the Code, for the purpose of assuring, enhancing or protecting favorable tax treatment or status of the Bonds or interest thereon or assisting compliance with requirements for that purpose, reducing the burden or expense of such compliance, reducing the rebate amount or payments or penalties, or making payments of special amounts in lieu of making computations to determine, or paying, excess earnings as rebate, or obviating those amounts or payments, as determined by that officer, which action shall be in writing and signed by the officer, (b) to take any and all other actions, make or obtain calculations, make payments, and make or give reports, covenants and certifications of