

TEMPORARY ORDINANCE NO. 11-16

PERMANENT ORDINANCE NO. 18-16

AN ORDINANCE AUTHORIZING THE ISSUANCE OF WASTEWATER SYSTEM REFUNDING REVENUE BONDS, SERIES 2016 UNDER ARTICLE XVIII OF THE OHIO CONSTITUTION, IN THE MAXIMUM AGGREGATE PRINCIPAL AMOUNT OF EIGHTEEN MILLION THREE HUNDRED SEVENTY-FIVE THOUSAND DOLLARS (\$18,375,000) TO ADVANCE REFUND ALL OR A PORTION OF THE CITY'S OUTSTANDING WASTEWATER SYSTEM IMPROVEMENT REVENUE BONDS, SERIES 2008; AUTHORIZING VARIOUS RELATED DOCUMENTS AND INSTRUMENTS, INCLUDING A THIRD SUPPLEMENTAL TRUST AGREEMENT, A BOND PURCHASE AGREEMENT, AN OFFICIAL STATEMENT, AN ESCROW AGREEMENT, AND A CONTINUING DISCLOSURE AGREEMENT; AUTHORIZING CERTAIN OTHER ACTIONS RELATED TO THE ISSUANCE OF THE SERIES 2016 BONDS; AND DECLARING AN EMERGENCY

WHEREAS, pursuant to Article XVIII of the Ohio Constitution (the "Act"), the City now owns and operates, as a public utility, a municipal wastewater collection and treatment system (the "Utility") the services of which are and are to be supplied to users within and outside the corporate limits of the City; and

WHEREAS, this Council has previously determined that improvements to the Utility are necessary for it to be adequate to meet the needs of the City, its inhabitants and other users, and this Council caused to be prepared by consulting engineers suitable reports, plans, specifications and estimates of cost sufficient to determine the nature, character and cost of improving the Utility; and

WHEREAS, based upon those reports, this Council previously determined it to be necessary and took certain steps to improve the Utility; and

WHEREAS, pursuant to Ordinance No. 50-04 passed by this Council on August 23, 2004 (the "Series 2004 Bond Ordinance"), the City issued its \$5,095,000 Wastewater System Improvement Revenue Bonds, Series 2004 (the "Series 2004 Bonds") to pay costs of improvements to the Utility; and

WHEREAS, in connection with the issuance of the Series 2004 Bonds, the City entered into a Trust Agreement dated as of September 1, 2004 (the "Original Trust Agreement") that secured the payment of the Series 2004 Bonds and provides for the issuance from time to time of additional revenue bonds; and

WHEREAS, pursuant to Ordinance No. 27-08 passed by this Council on August 25, 2008 (the "Series 2008 Bond Ordinance"), the City issued its \$21,195,000 Wastewater System Improvement Revenue Bonds, Series 2008 (the "Series 2008 Bonds") to pay costs of improvements to the Utility; and

WHEREAS, \$17,200,000 of the principal amount of the Series 2008 Bonds are outstanding (the "Outstanding Series 2008 Bonds"); and

WHEREAS, in connection with the issuance of the Series 2008 Bonds, the City entered into a First Supplemental Trust Agreement dated as of September 1, 2008 (the "First Supplemental Trust Agreement") that amended and supplemented the Original Trust Agreement and provided for the issuance and terms of the Series 2008 Bonds; and

WHEREAS, the Outstanding Series 2008 Bonds maturing on or after December 1, 2019 may be redeemed prior to maturity on or after December 1, 2018; and

WHEREAS, all of the Outstanding Series 2008 Bonds may be refunded and defeased at any time; and

WHEREAS, the refunding and defeasance of all or a portion of the Outstanding Series 2008 Bonds may provide significant present value savings to the City; and

WHEREAS, pursuant to Ordinance No. 7-12 passed by this Council on April 23, 2012 (the "Series 2012 Bond Ordinance"), the City issued its \$3,680,000 Wastewater System Revenue Refunding Bonds, Series 2012 (the "Series 2012 Bonds") to refund a portion of the Series 2004 Bonds; and

WHEREAS, in connection with the issuance of the Series 2012 Bonds, the City entered into a Second Supplemental Trust Agreement dated as of June 1, 2012 (the "Second Supplemental Trust Agreement") that amended and supplemented the Original Trust Agreement and provided for the issuance and terms of the Series 2012 Bonds; and

WHEREAS, this Council finds and determines that it is necessary and in the best interest of the City to issue additional revenue bonds to, together with other funds available to the City, (i) advance refund all or a portion of the Outstanding Series 2008 Bonds, (ii) fund the Bond Reserve Requirement for the Series 2016 Bonds to the extent not funded from other available monies and (iii) pay costs of issuance of the Series 2016 Bonds;

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

SECTION 1. Definitions and Interpretation. In addition to the words and terms elsewhere defined in the Series 2004 Bond Ordinance and this Ordinance, unless the context or use clearly indicates another or different meaning or intent:

"Act" means the State Constitution, in particular Article XVIII of that Constitution, and any constitutionally applicable State laws.

"Auditor" means the Auditor of the City.

"Authorized Denominations" means, with respect to the Series 2016 Bonds, the denomination of \$5,000 or any integral multiple in excess thereof.

"Bond Proceedings" means, collectively, the Series 2004 Bond Ordinance, this Ordinance, the Trust Agreement, the Certificate of Award, the Continuing Disclosure Agreement, the Escrow Agreement and such other proceedings of the City, including the Series 2016 Bonds, that provide collectively for, among other things, the rights of owners and beneficial owners of the Series 2016 Bonds.

“Bond Purchase Agreement” means the Bond Purchase Agreement authorized by Section 6.

“Bond Register” means the books kept and maintained by the Bond Registrar pursuant to the Trust Agreement for the registration, exchange and transfer of Series 2016 Bonds.

“Bond Reserve Requirement” means the balance required by the Trust Agreement to be maintained in the Wastewater Bond Reserve Fund for the Bonds.

“Bonds” means, collectively, the Series 2004 Bonds, the Series 2008 Bonds, the Series 2012 Bonds, the Series 2016 Bonds and any additional bonds issued pursuant to the Trust Agreement.

“Book entry form” or “book entry system” means a form or system under which (a) the ownership of beneficial interests in the Series 2016 Bonds and the principal of and interest and any premium on the Series 2016 Bonds may be transferred only through a book entry, and (b) physical Series 2016 Bond certificates in fully registered form are issued by the City and payable only to a Depository or its nominee as registered owner, with the certificates deposited with and “immobilized” in the custody of the Depository or its designated agent for that purpose. The book entry maintained by others than the City is the record that identifies the owners of beneficial interests in the Series 2016 Bonds and that principal and interest.

“Certificate of Award” means the certificate authorized by Section 6(a), to be executed by the Auditor, setting forth and determining those terms or other matters pertaining to the Series 2016 Bonds and their issuance, sale and delivery as this Ordinance requires or authorizes to be set forth or determined therein.

“City” means the City of Lancaster, Ohio.

“Clerk” means the Clerk of the Council of the City.

“Closing Date” means the date of physical delivery of, and payment of the purchase price for, the Series 2016 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 which shall constitute the continuing disclosure agreement made by the City for the benefit of the holders and beneficial owners of the Series 2016 Bonds in accordance with the Rule, as it may be modified from the form on file with the Clerk and executed by the Auditor, all in accordance with Section 6(c).

“Credit Support Instrument” means a Credit Support Instrument as defined in the Original Trust Agreement.

“Depository” means any securities depository that is a clearing agency registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, operating and maintaining, with its Participants or otherwise, a book entry system to record ownership of beneficial interests in Series 2016 Bonds or the principal of and interest on Series 2016 Bonds, and to effect transfers of the Series 2016 Bonds, in book entry form, and includes and means initially The Depository Trust Company (a limited purpose trust company), New York, New York.

“Escrow Agreement” means the Escrow Agreement authorized in Section 11 between the City and the Escrow Trustee.

“Escrow Fund” means the City of Lancaster, Ohio – Series 2016 Refunding Escrow Fund created pursuant to Section 11 and in accordance with the Escrow Agreement.

“Escrow Trustee” means The Bank of New York Mellon Trust Company, N.A., as escrow trustee under the Escrow Agreement and as successor trustee under the Trust Agreement.

“Interest Payment Dates” means June 1 and December 1 of each year that the Series 2016 Bonds are outstanding, commencing on the date specified in the Certificate of Award.

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

“Mandatory Redemption Date” shall have the meaning set forth in Section 3(b).

“Mandatory Sinking Fund Redemption Requirements” shall have the meaning set forth in Section 3(e)(i).

“Mayor” means the Mayor of the City.

“Original Purchaser” means the purchaser of the Series 2016 Bonds specified in the Certificate of Award.

“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.

“Principal Payment Dates” means December 1 in each of the years from and including 2016 to and including 2033, provided that the first Principal Payment Date may be deferred one year and the last Principal Payment Date may be advanced up to five years if such actions are determined by the Auditor in the Certificate of Award to be in the best interest of and financially advantageous to the City and further provided that in no case shall the last Principal Payment Date exceed the maximum maturity of the Series 2016 Bonds.

“Refunded Series 2008 Bonds” means, collectively, the principal maturities of the Outstanding Series 2008 Bonds to be determined by the Auditor in the Certificate of Award as the maturities the refunding of which will be in the best interest of and to the financial advantage of the City.

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

“SEC” means the Securities and Exchange Commission.

“Serial Bonds” means those Series 2016 Bonds designated as such and maturing on the dates set forth in the Certificate of Award, bearing interest payable on each Interest Payment Date and not subject to mandatory sinking fund redemption.

“Series 2016 Bonds” means the Wastewater System Refunding Revenue Bonds, Series 2016 as authorized in Section 2.

“Series 2016 Construction Account” means the account in the Wastewater Construction Fund created in Section 8.

“Term Bonds” means those Series 2016 Bonds designated as such and maturing on the date or dates set forth in the Certificate of Award.

“Third Supplemental Trust Agreement” means the Third Supplemental Trust Agreement authorized in Section 4.

“Trust Agreement” means the Original Trust Agreement as amended and supplemented by the First Supplemental Trust Agreement, as amended and supplemented by the Second Supplemental Trust Agreement and as supplemented by the Third Supplemental Trust Agreement.

“Trustee” means The Bank of New York Mellon Trust Company, N.A., as the trustee, authenticating agent, bond registrar, transfer agent and paying agent for the Bonds under the Trust Agreement and until a successor Trustee shall have become such pursuant to the provisions of the Trust Agreement and, thereafter, “Trustee” shall mean the successor Trustee.

“Utility” means the municipal wastewater collection and treatment system which is owned and operated by the City.

“Wastewater Bond Reserve Fund” means the fund by that name established by the Series 2004 Bond Ordinance and to be applied as provided in the Trust Agreement.

“Wastewater Bond Service Fund” means the fund by that name established by the Series 2004 Bond Ordinance and to be applied as provided in the Trust Agreement.

“Wastewater Construction Fund” means the fund by that name established by the Series 2004 Bond Ordinance and to be applied as provided in the Trust Agreement.

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 and Purpose; Application of Proceeds. It is necessary and determined to be in the City’s best interest to issue bonds of this City in the maximum aggregate principal amount of \$18,375,000 to be named “Wastewater System Refunding Revenue Bonds, Series 2016” to, together with other funds available to the City,

(i) advance refund the Refunded Series 2008 Bonds, (ii) fund the Bond Reserve Requirement for the then outstanding Bonds which is not otherwise funded from other available monies of the City, and (iii) pay financing costs of the Series 2016 Bonds. The aggregate principal amount of the Series 2016 Bonds shall be determined by the Auditor in the Certificate of Award as the amount necessary for the purpose described above. The Series 2016 Bonds shall be issued pursuant to the Act, the Trust Agreement and this Ordinance.

The aggregate principal amount of Series 2016 Bonds to be issued shall not exceed the maximum aggregate principal amount specified in this Section 2 and shall be an amount determined by the Auditor in the Certificate of Award to be the aggregate principal amount of Series 2016 Bonds that is required to be issued at this time for the purpose stated in this Section 2, taking into account the costs of advance refunding the Refunded Series 2008 Bonds, funding the Bond Reserve Requirement for the Series 2016 Bonds and paying the financing costs.

The proceeds from the sale of the Series 2016 Bonds received by the City (or withheld by the Original Purchaser on behalf of the City) shall be paid into the proper fund or funds, and those proceeds are hereby appropriated and shall be used for the purposes for which those Series 2016 Bonds are issued as provided in this Ordinance and the Trust Agreement, including without limitation but only to the extent not paid by others, the payment of the costs of issuing and servicing the Series 2016 Bonds, printing and delivery of the Series 2016 Bonds, legal services including obtaining the approving legal opinion of bond counsel, fees and expenses of any paying agent, verification consultant, bidding agent and rating agency, any municipal advisor, Trustee fees and expenses, Escrow Trustee fees and expenses, any fees or premiums relating to a Credit Support Instrument or other security arrangements determined necessary by the Auditor, and all other financing costs and costs incurred incidental to those purposes. The Certificate of Award and Bond Purchase Agreement may authorize the Original Purchaser to withhold certain proceeds from the purchase price of the Series 2016 Bonds to provide or the payment of any financing costs related to the Series 2016 Bonds on behalf of the City. Any portion of those proceeds received by the City representing premium (after payment of any financing costs identified in the Certificate of Award) shall be paid into the Wastewater Bond Service Fund, paid into the Wastewater Bond Reserve Fund, or paid into the Escrow Fund, or any or all of those uses, with such determination being made by the Auditor in the Certificate of Award, consistent with the Auditor's determination of the best interest of and financial advantages to the City. Any portion of those proceeds received by the City representing accrued interest shall be paid into the Wastewater Bond Service Fund.

The proceeds of sale of the Series 2016 Bonds shall be allocated and deposited as follows and in the following order:

(a) To the Wastewater Bond Service Fund, any accrued interest paid by the Original Purchaser;

(b) To any provider of a Credit Support Instrument for the Series 2016 Bonds, if any, the amount necessary to pay the premium for a Credit Support Instrument on the Series 2016 Bonds;

(c) To the Escrow Trustee for deposit in the Escrow Fund, an amount sufficient, together with other available monies of the City, to advance refund the Refunded Series 2008 Bonds identified by the Auditor in the Certificate of Award;

(d) Unless provided from other available monies or a Credit Support Instrument, to the Wastewater Bond Reserve Fund or an account therein, an amount necessary to fully fund the Bond Reserve Requirement for the then outstanding Bonds; and

(e) The balance, to the Wastewater Construction Fund or the Series 2016 Construction Account therein to be applied to pay financing costs of the Series 2016 Bonds.

The proceeds of the sale of the Series 2016 Bonds are appropriated and shall be used for the purpose for which those Bonds are issued as provided in this Ordinance and the Trust Agreement.

SECTION 3. Denominations; Dating; Principal and Interest Payment and Redemption Provisions. The Series 2016 Bonds shall be issued in one lot and only as fully registered bonds, in Authorized Denominations, but in no case as to a particular maturity date exceeding the principal amount maturing on that date. The Series 2016 Bonds shall be dated as of the date determined by the Auditor in the Certificate of Award; *provided* that the dated date shall not be more than sixty (60) days prior to the Closing Date.

(a) Interest Rates and Payment Dates. The Series 2016 Bonds shall bear the rate or rates of interest per year (computed on the basis of a 360-day year consisting of twelve 30-day months), as shall be determined by the Auditor, subject to subsection (c) of this Section 3, in the Certificate of Award. Interest on the Series 2016 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 Series 2016 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 Series 2016 Bonds shall mature or be payable pursuant to Mandatory Sinking Fund Redemption Requirements on the Principal Payment Dates in principal amounts as shall be determined by the Auditor, subject to subsection (c) of this Section 3, in the Certificate of Award, which determination shall be in the best interest of and financially advantageous to the City.

Consistent with the foregoing and in accordance with the determination of the best interest of and financial advantages to the City, the Auditor shall specify in the Certificate of Award (i) the aggregate principal amount of Series 2016 Bonds to be issued as Serial Bonds, the Principal Payment Date or Dates on which those Series 2016 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 Series 2016 Bonds to be issued as Term Bonds, the Principal Payment Date or Dates on which those Series 2016 Bonds shall be stated to mature, the principal amount thereof that shall be stated to mature on each such Principal Payment Date, the Principal Payment Date or Dates on which Term Bonds shall be subject to mandatory sinking fund redemption (each a "Mandatory Redemption Date") and the principal amount thereof that shall be payable pursuant to Mandatory Sinking Fund Redemption Requirements on each Mandatory Redemption Date.

(c) Conditions for Establishment of Interest Rates. The rate or rates of interest per year to be borne by the Series 2016 Bonds and the principal amount of Series 2016 Bonds

maturing or payable pursuant to Mandatory Sinking Fund Redemption Requirements on each Principal Payment Date, shall be such as to demonstrate a net present value savings to the City due to the refunding of the Refunded Series 2008 Bonds, after taking into account all expenses related to that refunding and the issuance of the Series 2016 Bonds.

(d) Payment of Debt Charges. The debt charges on the Series 2016 Bonds shall be payable in accordance with the provisions of the Trust Agreement.

(e) Redemption Provisions. The Series 2016 Bonds shall be subject to redemption prior to stated maturity as follows:

(i) Mandatory Sinking Fund Redemption of Term Bonds. If any of the Series 2016 Bonds are issued as Term Bonds, the Term Bonds shall be subject to mandatory redemption in part by lot and be redeemed pursuant to Mandatory Sinking Fund Redemption Requirements, at a redemption price of 100% of the principal amount redeemed, plus accrued interest to the redemption date, on the applicable Mandatory Redemption Dates and in the principal amounts payable on those Dates, for which provision is made in the Certificate of Award and the Trust Agreement (such Dates and amounts being referred to as the "Mandatory Sinking Fund Redemption Requirements").

(ii) Optional Redemption. The Series 2016 Bonds (if any) of the interest rates and maturities specified in the Certificate of Award shall be subject to optional redemption in accordance with the provisions of the Trust Agreement, in whole or in part in integral multiples of \$5,000 on the dates and at the redemption prices (expressed as a percentage of the principal amount to be redeemed), plus accrued interest to the redemption date, to be determined by the Auditor in the Certificate of Award; provided that the earliest optional redemption date shall not be later than December 1, 2027, and the redemption price for any optional redemption date shall not be greater than 103%.

SECTION 4. Execution and Authentication of Series 2016 Bonds. The Series 2016 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 Series 2016 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 Series 2016 Bond from any other Series 2016 Bond, and shall express upon their faces the purpose, in summary terms, for which they are issued and that they are issued pursuant to the Act, the Series 2004 Bond Ordinance, this Ordinance, the Trust Agreement and the Certificate of Award.

The Series 2016 Bonds are to be issued as Additional Bonds pursuant to the terms of the Trust Agreement. In the name and on behalf of the City, the Third Supplemental Trust Agreement shall be signed by the Auditor in substantially the form now on file with the Clerk. The Third Supplemental Trust Agreement is approved, together with any changes or amendments that are not inconsistent with this Ordinance and not substantially adverse to the City and that are approved by that officer on behalf of the City, all of which shall be conclusively evidenced by the signing of the Third Supplemental Trust Agreement or any amendments thereto. The Auditor shall provide for the payment of the services rendered and for reimbursement of expenses incurred pursuant to the Trust Agreement, except to the extent paid or reimbursed by the Original Purchaser in accordance with the Bond Purchase Agreement and the Certificate of Award, from the proceeds of the Series 2016 Bonds to the extent available and then from other money lawfully available and appropriated or to be appropriated for that purpose.

No Series 2016 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 Series 2016 Bond is signed by the Trustee as authenticating agent. Authentication by the Trustee shall be conclusive evidence that the Series 2016 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 Trustee or by any other person acting as an agent of the Trustee and approved by the Auditor on behalf of the City. The same person need not sign the certificate of authentication on all of the Series 2016 Bonds.

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

(a) Bond Register. So long as any of the Series 2016 Bonds remain outstanding, the City will cause the Trustee to maintain and keep the Bond Register in accordance with the provisions of the Trust Agreement.

(b) Transfer and Exchange. The Series 2016 Bond shall be exchanged and transferred in accordance with the provisions of the Trust Agreement.

(c) Book Entry System. Notwithstanding any other provisions of this Ordinance, if the Auditor determines in the Certificate of Award that it is in the best interest of and financially advantageous to the City, the Series 2016 Bonds may be issued in book entry form in accordance with the following provisions of this Section 5.

The Series 2016 Bonds may be issued to a Securities Depository for use in a book entry system and, if and so long as a book entry system is utilized, (i) the Series 2016 Bonds may be issued in the form of a single, fully registered Series 2016 Bond representing each maturity and if applicable, each interest rate within a maturity, and registered in the name of the Securities Depository or its nominee, as registered owner, and immobilized in the custody of the Securities Depository or its designated agent for that purpose, which may be the Trustee; (ii) the beneficial interest owners of Series 2016 Bonds in book entry form shall not have any right to receive Series 2016 Bonds in the form of physical securities or certificates; (iii) ownership of beneficial interests in Series 2016 Bonds in book entry form shall be shown by book entry on the system maintained and operated by the Securities Depository and its Participants, and transfers of the ownership of beneficial interests shall be made only by book entry by the Securities Depository and its Participants; and (iv) the Series 2016 Bonds as such shall not be transferable or exchangeable, except for transfer to another Securities Depository or to another nominee of a Securities Depository, without further action by the City.

If any Securities Depository determines not to continue to act as a Securities Depository for the Series 2016 Bonds for use in a book entry system, the Auditor and the Trustee may attempt to establish a securities depository/book entry relationship with another qualified Securities Depository. If the Auditor and the Trustee do not or are unable to do so, the Auditor and the Trustee, after making provision for notification of the beneficial interest owners by the then Securities Depository and any other arrangements deemed necessary, shall permit withdrawal of the Series 2016 Bonds from the Securities Depository, and shall cause Series 2016 Bond certificates in registered form and Authorized Denominations to be authenticated by the Trustee and delivered to the assignees of the Securities 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 and the Trustee are hereby authorized and directed, to the extent necessary or required, to enter into any agreements, in the name and on behalf of the City, that the Auditor determines to be necessary in connection with a book entry system for the Series 2016 Bonds.

SECTION 6. Sale of the Series 2016 Bonds.

(a) To the Original Purchaser. The Series 2016 Bonds are to be awarded and sold at private sale to the Original Purchaser at a purchase price equal to not less than 97% of the aggregate principal amount thereof, as shall be determined by the Auditor in the Certificate of Award, plus accrued interest (if any) on the Series 2016 Bonds from their date to the Closing Date, and shall be awarded by the Auditor and with and upon such other terms as are required or authorized by this Ordinance to be specified in the Certificate of Award, in accordance with law, the provisions of this Ordinance, the Trust Agreement and the Bond Purchase Agreement.

The Bond Purchase Agreement between the City and the Original Purchaser on file with the Clerk is approved. The Auditor and the Mayor are authorized to sign and deliver, in the name and on behalf of the City, the Bond Purchase 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 any such changes are not inconsistent with this Ordinance, are not materially adverse to the City and have been approved by the Auditor and the Mayor shall be conclusively evidenced by the signing of the Bond Purchase Agreement by the Auditor and the Mayor. The Auditor shall sign and deliver the Certificate of Award and shall cause the Series 2016 Bonds to be prepared and signed and delivered, together with a true transcript of proceedings with reference to the issuance of the Series 2016 Bonds, to the Original Purchaser upon payment of the purchase price. The Mayor, the Auditor, the Law Director, 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.

(b) Primary Offering Disclosure -- Official Statement. The Mayor and the Auditor are each authorized and directed, on behalf of the City and in their official capacities, to (i) prepare or cause to be prepared a disclosure document in the form of an official statement relating to the original issuance of the Series 2016 Bonds in substantially the form as is now on file with the Clerk, and make or authorize modifications, completions or changes of or supplements to, those official statements as they deem necessary or appropriate to facilitate the sale of the Series 2016 Bonds, (ii) determine, and to certify or otherwise represent, when the official statement is to be "deemed final" (except for permitted omissions) by the City as of its date or is a final official statement for purposes of paragraph (b) of the Rule, (iii) use and distribute, or authorize the use and distribution of those official statements and any supplements thereto in connection with the original issuance of the Series 2016 Bonds, and (iv) complete and sign that official statement and any supplements thereto as so approved, together with such certificates, statements or other documents in connection with the finality, accuracy and completeness of that official statement and any supplements, as they may deem necessary or appropriate.

(c) Agreement to Provide Continuing Disclosure. For the benefit of the holders and beneficial owners from time to time of the Series 2016 Bonds, the City agrees to provide or cause to be provided such financial information and operating data, audited financial statements and notices of the occurrence of certain events, in such manner as may be required for purposes of the Rule. The Auditor is authorized and directed to complete, sign and deliver the Continuing Disclosure Agreement,

in the name and on behalf of the City, in substantially the form as is now on file with the Clerk. The Continuing Disclosure Agreement is approved, together with any changes or amendments that are not inconsistent with this Ordinance and not substantially adverse to the City and that are approved by the Auditor on behalf of the City, all of which shall be conclusively evidenced by the signing of the Continuing Disclosure Agreement or amendments thereto.

The Auditor is further authorized and directed to establish procedures in order to ensure compliance by the City with its Continuing Disclosure Agreement, including timely provision of information and notices as described above. Prior to making any filing required under the Rule, the Auditor shall consult with and obtain legal advice from, as appropriate, the Law Director and bond or other qualified independent special counsel selected by the City. The Auditor, acting in the name and on behalf of the City, shall be entitled to rely upon any such legal advice in determining whether a filing should be made. The performance by the City of its Continuing Disclosure Agreement shall be subject to the annual appropriation of any funds that may be necessary to perform it.

(d) Application for Rating or Credit Support Instrument. If, in the judgment of the Auditor, the filing of an application for (i) a rating on the Series 2016 Bonds by one or more nationally-recognized rating agencies, or (ii) a Credit Support Instrument from a company or companies to better assure the payment of principal of and interest on the Series 2016 Bonds, or (iii) a Credit Support Instrument to fund the Wastewater Bond Reserve Fund, is in the best interest of and financially advantageous to the City, the Auditor is authorized to prepare and submit those applications, to provide to each such agency or company such information as may be required for the purpose, to determine whether to purchase any Credit Support Instrument, and to provide for the payment of the cost of obtaining each such rating or instrument, except to the extent paid by the Original Purchaser in accordance with the Bond Purchase Agreement, from the proceeds of the Series 2016 Bonds to the extent available and otherwise from any other funds lawfully available and that are appropriated or shall be appropriated for that purpose. To the extent that the Auditor has filed such applications and provided such information, those actions are hereby ratified and approved. The Auditor is hereby authorized, to the extent necessary or required, to enter into any agreements, in the name of and on behalf of the City, that the Auditor determines to be necessary in connection with the obtaining of that Credit Support Instrument.

(e) Financing Costs. The Auditor is authorized to enter into necessary contracts without competitive bidding to provide services with respect to the Series 2016 Bonds by the rating services, the Trustee, by providers of Credit Support Instruments, for the printing of the preliminary and final official statements and for the printing of the Series 2016 Bonds, and by other necessary service providers, all as deemed necessary by the Auditor to be consistent with the foregoing authorization and in the best interests of the City. The expenditure of the amounts necessary to pay any financing costs in connection with the Series 2016 Bonds, to the extent not paid by the Original Purchaser in accordance with the Bond Purchase Agreement, is authorized and approved, and the Auditor is authorized to provide for the payment of any such amounts and costs from the proceeds of the Series 2016 Bonds to the extent available and otherwise from any other funds lawfully available that are appropriated or shall be appropriated for that purpose. The actions of the Auditor or any other officer of the City in doing any and all acts necessary in connection with the issuance and sale of the Series 2016 Bonds are hereby ratified and confirmed.

SECTION 7. Covenants of the City. The City, by issuance of the Series 2016 Bonds, covenants and agrees with their holders to perform its applicable covenants and agreements set forth in this Ordinance, the Series 2004 Bond Ordinance and the Trust Agreement. The City particularly covenants that it will:

(a) Operate the Utility as a public utility under the Act, including all extensions thereof and improvements thereto.

(b) Subject to applicable requirements and restrictions imposed by law, at all times prescribe and charge such rates, charges and rentals for the services and facilities of the Utility, and so restrict Operating Expenses (as defined in the Trust Agreement), as shall be necessary in order to meet the earnings coverage and other requirements of the Trust Agreement.

(c) Segregate, for accounting purposes, the Revenues and the Funds in its custody (each as defined in the Trust Agreement) from all other revenues and funds of the City.

(d) At any and all times, cause to be done all such further acts and things and cause to be signed and delivered all such further instruments as may be necessary to carry out the purpose of the Series 2016 Bonds and any Bond Legislation (as defined in the Trust Agreement) or as may be required by the Act, and comply with all requirements of law applicable to the Utility and its operation.

(e) Observe and perform faithfully at all times all covenants, agreements, authority, actions, undertakings, stipulations and provisions to be observed or performed on its part under the Trust Agreement, the Continuing Disclosure Agreement, the Bond Purchase Agreement, this Ordinance, the Series 2004 Bond Ordinance, the Series 2016 Bonds and any other Bond Proceedings (as defined in the Trust Agreement) for the Series 2016 Bonds, and under all Council proceedings pertaining thereto.

Each of those obligations is binding upon the City, and upon each City officer or employee as from time to time may have the authority under law to take any action on behalf of the City that may be necessary to perform all or any part of that obligation, as a duty of the City and of each of those officers and employees 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.

SECTION 8. Establishment of Series 2016 Construction Account. The Series 2016 Construction Account is established in the Wastewater Construction Fund and shall be applied as provided in the Trust Agreement.

SECTION 9. Security for the Series 2016 Bonds. The Series 2016 Bonds shall be special obligations of the City. To the extent provided in and except as otherwise permitted by the Trust Agreement, the Bond Service Charges (as defined in the Trust Agreement) shall be payable equally and ratably solely from the Net Revenues and the Pledged Funds (each as defined in the Trust Agreement), and the payment of Bond Service Charges on the Series 2016 Bonds shall be secured by (i) the Trust Agreement and (ii) a pledge and assignment of and a lien on the Net Revenues and the Pledged Funds. However, any pledge or assignment of or lien on any fund, account, receivables, revenues, money or other intangible property not in the custody of the Trustee shall be valid and enforceable only to the extent permitted by law.

The City covenants that it will promptly pay from such sources the Bond Service Charges on every Bond issued under the Trust Agreement at the places, on the dates and in the manner provided in this Ordinance, the Trust Agreement and the Series 2016 Bonds, according to the true intent and meaning thereof.

Nothing in this Ordinance, the Series 2016 Bonds or the Trust Agreement shall constitute a general obligation debt or tax-supported bonded indebtedness of the City; the general resources of the City shall not be required to be used, and neither the general credit nor taxing power or full faith and credit of the City are or shall be pledged, for the performance of any duty under this Ordinance, the Trust Agreement or the Series 2016 Bonds. Nothing in this Ordinance gives the holders of Series 2016 Bonds, and they do not have, the right to have excises or taxes levied by the Council for the payment of Bond Service Charges or Operating Expenses (as defined in the Trust Agreement), but the Series 2016 Bonds are payable solely from the Net Revenues and the Pledged Funds, as provided in this Ordinance and the Trust Agreement, and each Series 2016 Bond shall contain a statement to that effect; provided, however, that nothing shall be deemed to prohibit the City, of its own volition, from using to the extent it is lawfully authorized to do so, any other resources or revenues for the fulfillment of any of the terms, conditions or obligations of the Trust Agreement, this Ordinance or the Series 2016 Bonds.

SECTION 10. Federal Tax Considerations. The City covenants that it will use, and will restrict the use and investment of, the proceeds of the Series 2016 Bonds in such manner and to such extent as may be necessary so that the (a) Series 2016 Bonds will not (i) constitute private activity bonds or arbitrage bonds under Sections 141 or 148 of the Code or (ii) be treated other than as bonds the interest on which is excluded from gross income under Section 103 of the Code, and (b) interest on the Series 2016 Bonds will not be 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 Series 2016 Bonds to be and 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 Series 2016 Bonds to the governmental purpose 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 those proceeds, 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 Auditor or any other officer of the City having responsibility for issuance of the Series 2016 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 Series 2016 Bonds as the City is permitted to or required to make or give under the federal income tax laws, including, without limitation thereto, any of the elections available under Section 148 of the Code, for the purpose of assuring, enhancing or protecting favorable tax treatment or status of the Series 2016 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 with respect to the Series 2016 Bonds, 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 with respect to the Series 2016

Bonds, 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 and on behalf of the City, as may be appropriate to assure the exclusion of interest from gross income and the intended tax status of the Series 2016 Bonds, and (c) to give one or more appropriate certificates of the City, for inclusion in the transcript of proceedings for the Series 2016 Bonds, setting forth the reasonable expectations of the City regarding the amount and use of all the proceeds of the Series 2016 Bonds, the facts, circumstances and estimates on which they are based, and other facts and circumstances relevant to the tax treatment of the interest on and the tax status of the Series 2016 Bonds. The Auditor or any other officer of the City having responsibility for issuance of the Series 2016 Bonds is specifically authorized to designate the Series 2016 Bonds as “qualified tax-exempt obligations” if such designation is applicable and desirable, and to make any related necessary representations and covenants.

Each covenant made in this Section 10 with respect to the Series 2016 Bonds is also made with respect to all issues any portion of the debt service on which is paid from proceeds of the Series 2016 Bonds (and, if different, the original issue and any refunding issues in a series of refundings), to the extent such compliance is necessary to assure exclusion of interest on the Series 2016 Bonds from gross income for federal income tax purposes, and the officers identified above are authorized to take actions with respect to those issues as they are authorized in this Section 10 to take with respect to the Series 2016 Bonds.

SECTION 11. Call for Redemption of Refunded Series 2008 Bonds. To provide for the payment of the principal of and interest on the Refunded Series 2008 Bonds, The Bank of New York Mellon Trust Company, N.A., is hereby designated to act as the Escrow Trustee. The Mayor and the Auditor shall sign and deliver, in the name and on behalf of the City, the Escrow Agreement between the City and the Escrow Trustee, in substantially the form as is now on file with the Clerk. The Escrow Fund provided for in the Escrow Agreement is hereby created. The Escrow Agreement is approved, together with any changes or amendments that are not inconsistent with this Ordinance and not substantially adverse to the City and that are approved by the Mayor and the Auditor, on behalf of the City, all of which shall be conclusively evidenced by the signing of the Escrow Agreement or amendments thereto. The Auditor shall provide for the payment of the services rendered and for reimbursement of expenses incurred pursuant to the Escrow Agreement, except to the extent paid or reimbursed by the Original Purchaser in accordance with the Bond Purchase Agreement, from the proceeds of the Series 2016 Bonds to the extent available and then from other money lawfully available and appropriated or to be appropriated for that purpose.

Acting pursuant to the Series 2008 Bond Ordinance which authorized the Refunded Series 2008 Bonds, the Refunded Series 2008 Bonds, as determined by the Auditor in the Certificate of Award to be refunded and called for redemption, are hereby called for redemption on the earliest practicable date as set forth in the Certificate of Award (the “Series 2008 Bonds Redemption Date”) at the required redemption price of the principal amount thereof, and the Auditor is hereby authorized and directed to cause those Refunded Series 2008 Bonds to be called for redemption on the Series 2008 Bonds Redemption Date and arrange for the notice of redemption to be given in accordance with the applicable provisions of the Series 2008 Bond Ordinance.

For informational purposes, a certified copy of this Ordinance shall be sent by the Auditor to the current bond registrar for the Refunded Series 2008 Bonds.

In order to provide for the payment of the (a) interest on the Refunded Series 2008 Bonds on each interest payment date following the Closing Date and through the Series 2008 Bonds Redemption

Date, (b) principal and mandatory sinking fund payments (if any in each case) of the Refunded Series 2008 Bonds maturing on or prior to the Series 2008 Bonds Redemption Date, and (c) principal of the Refunded Series 2008 Bonds to be called for redemption on the Series 2008 Bonds Redemption Date, the City covenants and agrees with the Escrow Trustee and with the owners of the Refunded Series 2008 Bonds that the City will take, and will cause the Escrow Trustee to take, all steps required by the terms of the Escrow Agreement to carry out such payments. The City will provide from the proceeds of the Series 2016 Bonds and other available funds in accordance with this Ordinance, moneys and investments sufficient to pay in full the (a) interest on the Refunded Series 2008 Bonds on each interest payment date following the Closing Date and through the Series 2008 Bonds Redemption Date, (b) principal and mandatory sinking fund payments (if any in each case) of the Refunded Series 2008 Bonds maturing on or prior to the Series 2008 Bonds Redemption Date, and (c) principal of the Refunded Series 2008 Bonds to be called for redemption on the Series 2008 Bonds Redemption Date. The City covenants and agrees with the Escrow Trustee and with the owners of the Refunded Series 2008 Bonds that the City will take, and will cause the Escrow Trustee to take, all steps required by the terms of this Ordinance, Section 133.34 of the Ohio Revised Code, and the Escrow Agreement to carry out such payments so that the Refunded Series 2008 Bonds are not deemed to be outstanding.

There shall be delivered to the Escrow Trustee for the Escrow Fund proceeds to be received from the sale of the Series 2016 Bonds and other available funds which shall be invested in United States Treasury Obligations ("Treasury Securities"), State and Local Government Series ("SLG Securities") or other direct obligations of or obligations guaranteed as to both principal and interest of the United States of America as defined in Section 133.34 of the Ohio Revised Code, of the United States of America (direct obligations and guaranteed obligations together with the SLG Securities, collectively, the "Securities") and which Securities shall be certified by an independent public accounting firm of national reputation in a written report (the "Verification Report") to be of such maturities or redemption dates and interest payment dates, and to bear such interest, as will be sufficient together with any moneys in the Escrow Fund to be held in cash as contemplated by the Verification Report without further investment or reinvestment of either the principal amount thereof or the interest earnings therefrom, to cause the Refunded Series 2008 Bonds to be deemed to be not outstanding as provided for in Section 133.34 of the Ohio Revised Code, and the balance of those proceeds, less any amount thereof, contemplated by the Verification Report to be held in cash in the Escrow Fund, shall be used for the payment of costs related to the refunding and the issuance of the Series 2016 Bonds, and of issuance costs. The Auditor is hereby authorized to retain and designate in the Certificate of Award an independent public accounting firm of national reputation to prepare and deliver the Verification Report.

At the direction of the Auditor, the Escrow Trustee or the Original Purchaser is authorized to apply and subscribe for SLG Securities on behalf of the City. Further, if the Auditor determines that it would be in the best interest and to the financial advantage of the City to purchase Treasury Securities for deposit into the Escrow Fund, the Auditor or any other officer of the City, on behalf of the City and in their official capacity, may purchase and deliver such obligations, engage the services of a municipal advisor, bidding agent or similar entity for the purpose of facilitating the bidding, purchase and delivery of such obligations for, and any related structuring of, the Escrow Fund, execute such instruments as are deemed necessary to engage such services for such purpose, and provide further for the payment of

the cost of obtaining such services, except to the extent paid by the Original Purchaser in accordance with the Bond Purchase Agreement, from the proceeds of the Series 2016 Bonds to the extent available and otherwise from any other funds lawfully available and that are appropriated or shall be appropriated for that purpose.

Any such Securities, and moneys, if any, in addition thereto contemplated by the Verification Report to be held in cash, shall be held by the Escrow Trustee in trust and committed irrevocably to the payment of the principal of and interest on the Refunded Series 2008 Bonds.

SECTION 12. Further Authorizations and Implementation of Authorizations. The Mayor, the Auditor, the Law Director, the Treasurer, the Clerk and other City officials, as appropriate, each are authorized and directed to do all things necessary and appropriate to complete and perform the delivery of the Series 2016 Bonds to the Original Purchaser and, in accordance with the terms and provisions of this Ordinance, the Series 2004 Bond Ordinance, the Trust Agreement, the Bond Purchase Agreement and the Certificate of Award, to make the necessary arrangements on behalf of the City to establish the date, location, procedure and conditions for the delivery of the Series 2016 Bonds to the Original Purchaser to the extent not provided for therein, and those officials, or any of them are further directed to take all steps necessary to effect due authentication, delivery and security of the Series 2016 Bonds under the terms of this Ordinance and of the Series 2004 Bond Ordinance, the Trust Agreement, the Bond Purchase Agreement and the Certificate of Award, including, without limitation, the execution and delivery of such transcript certificates, financial statements and other documents and instruments as are, in the opinion of bond counsel, necessary or appropriate to consummate the transactions provided for in this Ordinance, the Series 2004 Bond Ordinance, the Trust Agreement, the Bond Purchase Agreement and the Certificate of Award.

SECTION 13. Bond Counsel. The legal services of the law firm of Squire Patton Boggs (US) LLP are hereby retained. Those legal services shall be in the nature of legal advice and recommendations as to the documents and the proceedings in connection with the authorization, sale and issuance of the Series 2016 Bonds and rendering at delivery related legal opinions, all as set forth in the form of engagement letter from that firm which is now on file in the office of the Auditor. In providing those legal services, as an independent contractor and in an attorney-client relationship, that firm shall not exercise any administrative discretion on behalf of this City in the formulation of public policy, expenditure of public funds, enforcement of laws, rules and regulations of the State, any county or municipal corporation or of this City, or the execution of public trusts. For those legal services that firm shall be paid just and reasonable compensation and shall be reimbursed for actual out-of-pocket expenses incurred in providing those legal services. The Auditor is authorized and directed to execute such engagement letter for the retention of those legal services. The Auditor is authorized and directed to make appropriate certification as to the availability of funds for those fees and any reimbursement and to issue an appropriate order for their timely payment as written statements are submitted by that firm.

SECTION 14. Other Determinations. This Council determines that all acts and conditions necessary to be done or performed by the City or to have been met precedent to and in the issuing of the Series 2016 Bonds in order to make them legal, valid and binding special obligations of the City have been performed and have been met, or will at the time of delivery of the Series 2016 Bonds have been performed and have been met, in regular and due form as required by law; that no statutory or constitutional limitation of indebtedness or taxation will have been exceeded in the issuance of the Series 2016 Bonds; and that the Series 2016 Bonds are being authorized and issued pursuant to the

Act, the Series 2004 Bond Ordinance, this Ordinance, the Trust Agreement and the Certificate of Award and other authorizing provisions of law.

SECTION 15. Compliance with Open Meeting Requirements. This Council finds and determines that all formal actions of this Council and any of its committees concerning and relating to the passage of this Ordinance were taken in an open meeting of this Council and any of its committees, and that all deliberations of this Council and any of its committees that resulted in those formal actions were in meetings open to the public, all in compliance with the law including Section 121.22 of the Ohio Revised Code.

SECTION 16. Severability. Each section of this Ordinance and each subdivision of any section thereof is hereby declared to be independent, and the finding or holding of any section or subdivision of any section thereof to be invalid or void shall not be deemed nor held to affect the validity of any other section or subdivision of this Ordinance.

SECTION 17. Emergency Clause. This Ordinance is declared to be an emergency measure necessary for the immediate preservation of the public peace, health and safety of the City, and for the further reason that this Ordinance is required to be immediately effective in order to issue and sell the Series 2016 Bonds, which is necessary to enable the City to timely refund the Refunded Series 2008 Bonds and thereby obtain present value savings for the City; wherefore, this Ordinance shall be in full force and effect immediately upon its passage and approval by the Mayor.

Passed: 4/25/16 after 3rd reading. Vote: Yeas 9 Nays 0

Approved: 4/25/16

Clerk: Teresa Lee Sandy

Bob Bledsoe
President of Council

[Signature]
Mayor

Offered by: Tom Stok

Second by: [Signature]

The foregoing is a true and correct copy of Ordinance ___-16 as passed by the Council of the City of Lancaster, Ohio at its meeting on _____, 2016.

Offered by: Tom Stok

Second by: [Signature]

Requested by Finance Committee

I, Teresa Lee Sandy, Clerk of Council do hereby certify that on _____, 2016 the Lancaster Eagle Gazette published the summary of this Ordinance in accordance with Ohio Revised Code 731.24.

Clerk of Council