

In the opinion of the Attorney General of the State of Michigan and in the opinion of Bond Counsel, subject to compliance with certain covenants, under existing law, as presently interpreted, interest on the Bonds is excluded from gross income for federal income tax purposes as described under "TAX MATTERS" herein, and the Bonds and interest thereon are exempt from all taxation provided by the laws of the State of Michigan except for estate taxes and taxes on gains realized from the sale, payment or other disposition thereof. (See "TAX MATTERS.")

\$54,055,000
STATE OF MICHIGAN
STATE TRUNK LINE FUND REFUNDING BONDS, SERIES 2015

Dated: Date of Delivery

Due: November 15, as shown below

The Bonds will be issued as fully registered bonds, and when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, New York, New York ("DTC"). So long as Cede & Co. is the registered owner of the Bonds, principal of and interest on the Bonds (interest commencing May 15, 2016 and semi-annually thereafter) are payable by U.S. Bank National Association, Lansing, Michigan, as Transfer Agent, to Cede & Co., as nominee for DTC, and payment thereof will be made to purchasers by DTC participants or indirect participants. (See "THE BONDS - DTC; Book-Entry-Only System.") Purchasers will acquire beneficial ownership interests in the Bonds in denominations of \$5,000 or integral multiples thereof. The Bonds are not subject to redemption prior to maturity.

The Bonds are to be issued in accordance with the authorization provided in Act 51, Public Acts of Michigan, 1951, as amended and Section 9 of Article IX of the Michigan Constitution. The proceeds of the sale of the Bonds together with investment earnings on such proceeds and other available moneys will be used to pay a portion of the costs of refunding certain outstanding State of Michigan State Trunk Line Fund Bonds and to pay the costs of issuance of the Bonds.

The Bonds are payable solely out of those funds restricted as to use for transportation purposes by the Michigan Constitution which are irrevocably pledged by law for deposit in the State Trunk Line Fund as described herein. The Bonds are not general obligations of the State of Michigan, its agencies, instrumentalities or political subdivisions.

Maturity, Principal Amount, Interest Rate, Yield, and CUSIP¹ Number

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP¹</u>
2022	\$ 2,940,000	2.00%	1.73%	594695X52
2022	51,115,000	5.00	1.73	594695X60

This cover page contains information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The Bonds are offered when, as and if issued by the State and subject to the receipt of the approving opinions of the Attorney General of the State of Michigan, and of Miller, Canfield, Paddock and Stone, P.L.C., Lansing, Michigan, Bond Counsel. Certain legal matters will be passed upon for the Underwriters by their counsel, Dykema Gossett PLLC, Lansing, Michigan. Public Financial Management, Inc., Minneapolis, Minnesota, is serving as financial advisor to the State in connection with the sale and issuance of the Bonds. Delivery of the Bonds is expected on or about October 27, 2015 through DTC in New York, New York.

**J.P. Morgan
Loop Capital Markets**

**Morgan Stanley
Siebert Bradford Shank & Co.**

Dated: October 15, 2015

⁺ See "BOND RATINGS" herein.

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STATE OF MICHIGAN

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Nick A. Khouri, *State Treasurer*

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Todd Wyett, *Vice Chairperson*
Lynn Afendoulis, *Member*
Ron Boji, *Member*
Charles F. Moser, *Member*
Michael D. Hayes, *Member*

Michigan Department of Transportation Staff

Kirk T. Steudle, P.E., *Director*
Laura J. Mester, *Chief Administrative Officer*
Myron Frierson, *Bureau Director - Finance and Administration*

Financial Advisor

Public Financial Management, Inc.

Counsel to the State

The Attorney General of the State of Michigan

Bond Counsel

Miller, Canfield, Paddock and Stone, P.L.C.

Underwriters' Counsel

Dykema Gossett PLLC

No dealer, broker, salesperson or other person has been authorized by the State of Michigan, the State Transportation Commission, the Michigan Department of Transportation, its Director or the Underwriters to give any information or to make any representations, other than those contained in this Official Statement and if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer or a solicitation of an offer to buy nor shall there be any sale of the Bonds in any jurisdiction in which it is unlawful to make such offer, solicitation or sale. The information set forth herein has been furnished by the Michigan Department of Transportation and other sources which are believed to be reliable, including the Depository Trust Company with respect to information contained in "THE BONDS – DTC; Book-Entry-Only System," but is not guaranteed as to accuracy or completeness and is not to be construed as a representation of the Michigan Department of Transportation or the Underwriters. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the State of Michigan or the Michigan Department of Transportation since the date hereof.

In connection with the offering of the Bonds, the Underwriters may over-allot and effect transactions that stabilize or maintain the market price of the Bonds at levels above those that might otherwise prevail in the open market. Such over-allotment and stabilizing, if commenced, may be discontinued at any time.

IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE STATE AND THE STATE TRUNK LINE FUND AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE BONDS HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

This Official Statement contains forward-looking statements, which can be identified by the use of the future tense or other forward-looking terms such as "may," "intend," "will," "expect," "project," "anticipate," "plan," "management believes," "estimate," "continue," "should," "strategy," or "position" or the negatives of those terms or other variations of them or by comparable terminology. In particular, any statements, express or implied, concerning future receipts of pledged tax revenues or the ability to generate cash flow to service indebtedness are forward-looking statements. Investors are cautioned that reliance on any of those forward-looking statements involves risks and uncertainties and that, although the State of Michigan believes that the assumptions on which those forward-looking statements are based are reasonable, any of those assumptions could prove to be inaccurate. As a result, the forward-looking statements based on those assumptions also could be incorrect, and actual results may differ materially from any results indicated or suggested by those assumptions. In light of these and other uncertainties, the inclusion of a forward-looking statement in this Official Statement should not be regarded as a representation by the State of Michigan that its plans and objectives will be achieved. All forward-looking statements are expressly qualified by the cautionary statements contained in this paragraph. Neither the Michigan Department of Transportation nor the State of Michigan undertakes duty to update any forward-looking statements.

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OFFICIAL STATEMENT

\$54,055,000

STATE OF MICHIGAN STATE TRUNK LINE FUND REFUNDING BONDS, SERIES 2015

INTRODUCTORY STATEMENT

This Official Statement of the State of Michigan (the “State”) is provided for the purpose of setting forth certain information in connection with its \$54,055,000 State of Michigan State Trunk Line Fund Refunding Bonds, Series 2015 (the “Bonds”). The Bonds will be issued pursuant to Section 9 of Article IX of the Michigan Constitution of 1963 (the “Michigan Constitution”), Act 51, Public Acts of Michigan, 1951, as amended (“Act 51”), and a resolution adopted by the State Transportation Commission (the “Commission”) and the Director of the Michigan Department of Transportation (“MDOT”) on May 21, 2015 (the “Resolution”). Proceeds from the sale of the Bonds together with investment earnings on such proceeds and other available moneys will be used (i) to pay a portion of the costs of refunding certain outstanding State of Michigan State Trunk Line Fund Bonds (the “Prior Bonds”) (see “PLAN OF REFUNDING”), and (ii) to pay the costs of issuance of the Bonds.

The Bonds, together with certain Outstanding Bonds and Additional Bonds (each defined below) of the State issued under Act 51 and described under “SECURITY FOR THE BONDS - Outstanding Bonds and Additional Bonds,” will be secured by a pledge of, and be payable solely from, funds that are restricted as to use for transportation purposes under Section 9 of Article IX of the Michigan Constitution and that are deposited in the State Trunk Line Fund established pursuant to Act 51. As of October 31, 2015, the principal amount of bonds payable from the State Trunk Line Fund, including the Bonds and Outstanding Bonds, but excluding the Prior Bonds, is anticipated to be \$962,860,000. (See “STATEMENT OF OUTSTANDING OBLIGATIONS.”)

Information contained herein has been obtained from State officers, employees and records, and other sources believed to be reliable. This Official Statement is not to be construed as a contract or agreement between the State and the purchasers or holders of any of the Bonds.

Quotations, summaries and explanations of constitutional provisions, statutes, judicial decisions, administrative regulations, resolutions and other documents in this Official Statement do not purport to be complete and are qualified by reference to the complete text of such documents which may be obtained from MDOT, 425 West Ottawa Street, Lansing, Michigan 48909, Attention: Bureau Director, Bureau of Finance and Administration, telephone: (517) 373-2117.

THE STATE TRANSPORTATION COMMISSION

MDOT’s program objectives are established by a six-member Commission appointed to staggered three year terms by the Governor, no more than three of whom may be members of the same political party. The Chairperson of the Commission is appointed by the Governor, and the Commission elects the Vice Chairperson from among its members. MDOT’s Director (the “Director”), the executive head of MDOT, is appointed by the Governor and serves at his pleasure.

The members of the Commission are listed on the inside cover of this Official Statement.

THE MICHIGAN DEPARTMENT OF TRANSPORTATION

Responsibilities and Organization

MDOT was established in 1978 by constitutional amendment and replaced the Michigan State Highway Department. MDOT is the State agency with the primary programmatic and regulatory responsibilities for the development and operation of public transportation facilities, port and harbor improvements, railroad facilities, highways and airports in the State.

In addition to the executive offices, the internal structure of MDOT is comprised of four bureaus responsible for various support or operating functions: (1) Transportation Planning, (2) Finance and Administration, (3) Highway Development, and (4) Field Services. Several offices support public transportation programs including the Office of Passenger Transportation, Office of Rail and the Office of Aeronautics. As of October 1, 2015, MDOT had approximately 2,912 appropriated State classified civil service positions.

Funding for MDOT Programs

Programs for each of the modes of transportation under MDOT's jurisdiction are independently funded from taxes or other sources of revenues which are distributed pursuant to law for specific purposes.

MDOT's highway programs are funded from the proceeds of bonds and notes and from the State Trunk Line Fund established pursuant to Act 51 after payment of bonds payable solely from such fund and from moneys provided by the federal government. The revenues of the State Trunk Line Fund include a portion of the motor vehicle fuel taxes, vehicle registration taxes, and interest and miscellaneous fees deposited into the Michigan Transportation Fund established pursuant to Act 51. (See "SOURCES OF CONSTITUTIONALLY RESTRICTED REVENUES OF THE MICHIGAN TRANSPORTATION FUND" and "SUMMARY OF CERTAIN PROVISIONS OF THE MICHIGAN CONSTITUTION, ACT 51, AND THE RESOLUTION.")

MDOT's comprehensive transportation programs are funded from the Comprehensive Transportation Fund which receives a portion of the sales tax on motor vehicles, motor vehicles parts and accessories, and motor vehicle fuel and a portion of motor fuel taxes, vehicle registration taxes, and interest and miscellaneous fees deposited into the Michigan Transportation Fund. (See "SUMMARY OF CERTAIN PROVISIONS OF THE MICHIGAN CONSTITUTION, ACT 51, AND THE RESOLUTION.")

MDOT was awarded over \$400 million in competitive federal grants for its Accelerated Rail Program between fiscal year 2009 and fiscal year 2011. In addition, MDOT will receive a portion of the \$268 million multi-state award for new Next Generation train car sets that will replace a portion of the existing Amtrak fleet. These federal grants were awarded from the Federal Railroad Administration, Federal Transit Administration, and Federal Highway Administration. A portion of these funds are American Recovery and Reinvestment Act (ARRA) funds. The projects will preserve rail freight connectivity and improve passenger rail services in Michigan.

MDOT's aeronautics program is primarily funded from the State Aeronautics Fund established pursuant to Public Act 327 of 1945. The revenue of the State Aeronautics Fund primarily includes aviation fuel tax and airport parking tax.

State Highway Program

As of December 31, 2014, Michigan's total highway network consisted of 121,189 miles of highways, roads and streets of which 9,668 miles were under MDOT jurisdiction, 90,230 miles were under the jurisdiction of the county road commissions or departments, and 21,291 miles were under the jurisdiction of various Michigan cities and villages. Although only 8% of Michigan's roads fall under MDOT jurisdiction, such roads carry over 53% of the total vehicular miles traveled in the State.

The highways, roads and streets under MDOT's jurisdiction consisting of the interstate freeways, the Michigan expressway and arterial connector highways, and the State primary roads are collectively referred to as the "State Trunk Line System."

All the operation and maintenance expenditures for the State Trunk Line System as well as the general operating costs of MDOT related to State Trunk Line Fund operations are funded from the State Trunk Line Fund after payment of debt service on the Bonds and the Outstanding Bonds and the State's share of debt service on any Additional Bonds and after transfers of specified amounts to the Transportation Economic Development Fund and the Railroad Grade Crossing Account. Operation and maintenance expenditures for the State Trunk Line System were approximately \$266 million in the fiscal year ended September 30, 2014. Operation and maintenance includes such practices as plowing snow, resealing, patching, guardrail and shoulder repair, and other work required on a frequent basis to assure the continued safe operation of the State Trunk Line System. (See "SUMMARY OF CERTAIN PROVISIONS OF THE MICHIGAN CONSTITUTION, ACT 51, AND THE RESOLUTION.")

Moneys remaining in the State Trunk Line Fund after payment of debt service on any outstanding State Trunk Line bonds, operation and maintenance costs, and general operating costs, are used to pay for capital improvements to the State Trunk Line System and the State's matching share of federally funded State Trunk Line System construction projects. In the fiscal year ended September 30, 2014, MDOT expended approximately \$146.3 million of State Trunk Line Fund moneys and \$67.6 million of General Fund moneys for capital improvements to the State Trunk Line System. During fiscal year ended September 30, 2014, the federal government contributed \$756.5 million to capital improvement projects.

Pursuant to Act 51, all payments by MDOT from the State Trunk Line Fund for the maintenance, operation, and administration of the State Trunk Line System and for the State's share of the capital costs of the State Trunk Line System are second in priority to the payments of the debt service on the Bonds and the Outstanding Bonds and the State's share of debt service on any Additional Bonds.

THE BONDS

Description of the Bonds

The Bonds will be dated and bear interest from their date of delivery. Interest on the Bonds shall be payable on May 15, 2016 and semiannually each November 15 and May 15 thereafter until maturity. Interest on the Bonds shall be computed using a 360-day year with twelve 30-day months, and the Bonds will mature on the dates and in the principal amounts and will bear interest at the rates as set forth on the cover page of this Official Statement.

Purchases of Bonds will be made in book-entry-only form as described under "THE BONDS – DTC; Book-Entry-Only System." So long as Cede & Co., as nominee for The Depository Trust Company ("DTC"), is the Registered Owner of the Bonds, the transfer of interests in the Bonds shall be the sole responsibility of the Direct Participants, the Indirect Participants and the Beneficial Owners (each hereinafter defined). The State shall have no responsibility with respect to such transfers.

The Bonds will be issued in fully registered form in the denomination of \$5,000, or integral multiples thereof not exceeding the aggregate principal amount of the Bonds maturing at any one time. So long as the Bonds are all registered in the name of Cede & Co., as the nominee of DTC under the “book-entry-only” system described below, U.S. Bank National Association, Lansing, Michigan shall be the Transfer Agent. The principal of the Bonds is payable at maturity upon presentation at the principal office of the Transfer Agent. Interest on the Bonds shall be payable when due by check or draft mailed by the Transfer Agent to the person or entity who is, as of the first day of the month in which each interest payment date occurs, the registered holder of record, at the holder’s registered address.

Transfer of the Bonds

So long as Cede & Co., as nominee for DTC, is the registered owner of the Bonds, beneficial ownership interests in the Bonds may be transferred only through a Direct Participant or Indirect Participant and recorded on the book-entry-only system operated by DTC. In the event the book-entry-only system is discontinued, any Bond may be transferred or exchanged by the person in whose name it is registered, in person or by the registered owner’s duly authorized attorney or legal representative, upon surrender of the Bond to the Transfer Agent for cancellation, together with a duly executed instrument of transfer in a form approved by the Transfer Agent. Whenever any Bond is surrendered for transfer or exchange the Transfer Agent shall authenticate and deliver a new Bond, in like aggregate principal amount, tenor, interest rate and maturity. The Transfer Agent may require the registered owner requesting the transfer or exchange to pay any tax or other governmental charge required to be paid with respect to the transfer.

No Redemption

The Bonds are not subject to redemption prior to maturity.

DTC; Book-Entry-Only System

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship

with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

Principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC’s practice is to credit Direct Participants’ accounts upon DTC’s receipt of funds and corresponding detail information from the State or the Transfer Agent, on the payable date in accordance with their respective holdings shown on DTC’s records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in “street name,” and will be the responsibility of such Participant and not of DTC nor its nominee, the Transfer Agent, or the State, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the State or

the Transfer Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

The State may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to the Participants for delivery to the Beneficial Owners.

THE INFORMATION IN THIS SECTION HAS BEEN OBTAINED FROM DTC. NO REPRESENTATION IS MADE BY THE STATE, THE COMMISSION, MDOT, THE DIRECTOR OR THE TRANSFER AGENT AS TO THE COMPLETENESS OR ACCURACY OF SUCH INFORMATION OR AS TO THE ABSENCE OF MATERIAL ADVERSE CHANGES IN SUCH INFORMATION SUBSEQUENT TO THE DATE HEREOF. NO ATTEMPT HAS BEEN MADE BY THE STATE, THE COMMISSION, MDOT, THE DIRECTOR, OR THE TRANSFER AGENT TO DETERMINE WHETHER DTC IS OR WILL BE FINANCIALLY OR OTHERWISE CAPABLE OF FULFILLING ITS OBLIGATIONS. NEITHER THE STATE NOR THE TRANSFER AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS, INDIRECT PARTICIPANTS OR THE PERSONS FOR WHICH THEY ACT AS NOMINEES WITH RESPECT TO THE BONDS, OR FOR ANY PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST PAYMENT THEREON.

PLAN OF REFUNDING

The bonds to be refunded (collectively, the “Prior Bonds”) consist of the following outstanding obligations:

State Trunk Line Fund Refunding Bonds, Series 2005

<u>Maturity</u>	<u>Principal Amount</u>
11/1/2022	\$64,480,000

The proceeds of the Bonds will be used to provide funds to refund the Prior Bonds and to pay the costs of issuance of the Bonds, including costs incidental to the refunding of the Prior Bonds. The Prior Bonds are being refunded to produce debt service savings.

Pursuant to the terms of the Escrow Deposit Agreement (the “Escrow Agreement”) with the State Treasurer of the State of Michigan (the “Escrow Agent”), the refunding of the Prior Bonds will be effected by MDOT depositing with the Escrow Agent cash in amount sufficient, without reinvestment, to pay, when due, interest on and principal of the Prior Bonds to and including the optional redemption date of November 30, 2015. Funds deposited under the Escrow Agreement will be used solely for the payment of the principal of and interest on the Prior Bonds, subject only to the payment to MDOT in accordance with the Escrow Agreement of any cash not required for such purpose.

The Prior Bonds will not be legally defeased upon issuance of the Bonds, but will continue to be outstanding until paid on the redemption date of November 30, 2015. However, pursuant to Section 18b(7) of Act 51, upon issuance of the Bonds, the Prior Bonds will not be taken into account in determining the State’s ability to issue Additional Bonds under Act 51. See “SECURITY FOR THE BONDS - Outstanding Bonds and Additional Bonds” below.

On or prior to the date of delivery of the Bonds, Grant Thornton LLP, will deliver a report attesting to the mathematical accuracy of the computations contained in the schedules prepared by the Underwriters on behalf of the State relating to the adequacy of cash being deposited in the escrow fund to pay, on the redemption date, the principal of and interest on the Prior Bonds.

ESTIMATED SOURCES AND USES OF FUNDS

The Bonds are being issued by the State to provide funds, which, together with investment earnings on such proceeds and other available moneys, will be used to refund the Prior Bonds and to pay costs related to the issuance of the Bonds.

Sources

Par Amount of Bonds	\$54,055,000
Original Issue Premium	11,100,446
Other Available Funds	<u>1,612,000</u>
Total Sources	<u>\$66,767,446</u>

Uses

Deposit to the Escrow Deposit Fund	\$66,351,711
Costs of Issuance ⁽¹⁾	<u>415,735</u>
Total Uses	<u>\$66,767,446</u>

⁽¹⁾To be used, together with earnings thereon, for costs, including underwriters’ discount, related to the issuance of the Bonds and to the refunding.

SECURITY FOR THE BONDS

Sources of Payment for the Bonds

The Bonds, the Outstanding Bonds, and the State’s share of the debt service on any Additional Bonds are secured by a pledge of the first lien on funds deposited in the State Trunk Line Fund which are derived from the proceeds of taxes on motor vehicle fuels and registered motor vehicles, as described herein.

The Michigan Constitution provides generally that the net proceeds of all specific taxes (except sales and use taxes and regulatory fees) imposed by the State on motor vehicle fuels and on registered motor vehicles and all or a portion of the proceeds of certain other transportation related taxes shall be used exclusively for general transportation purposes. The Constitution further provides that at least 90% of all such taxes on motor vehicle fuels and registered motor vehicles must be used for the transportation purposes of planning, administering, constructing, reconstructing, financing and maintaining state, county, city, and village roads, streets, and bridges designed primarily for the use of motor vehicles using tires, and reasonable appurtenances to those state, county, city, and village roads, streets, and bridges

(herein called “Highway, Street and Road Purposes”). (See “SUMMARY OF CERTAIN PROVISIONS OF THE MICHIGAN CONSTITUTION, ACT 51, AND THE RESOLUTION.”)

Act 51 provides that all proceeds of specific taxes on motor vehicle fuels and all motor vehicle registration taxes be deposited in the Michigan Transportation Fund (the “MTF”), which is held by the Michigan Department of Treasury, and that the legislatively allocated portion of the sales taxes on motor vehicle fuels, motor vehicles and motor vehicle parts and accessories be credited directly to the Comprehensive Transportation Fund. Pursuant to law, until paid out, money credited to the MTF, the Comprehensive Transportation Fund, and the State Trunk Line Fund is deposited with other moneys of the State in the Common Cash Fund, which is managed and invested by the State Treasurer as provided by law.

Act 51 further provides for the allocation and distribution of funds deposited into the MTF (after deduction of certain specified amounts) to and among the State Trunk Line Fund, the Comprehensive Transportation Fund, the county road commissions or departments, and the cities and villages, all for use for transportation purposes. Act 51 also provides for the transfer, after payment of debt service on the Bonds, the Outstanding Bonds, and Additional Bonds, of funds from the State Trunk Line Fund to the TEDF and the Railroad Grade Crossing Account. As described below under “SUMMARY OF CERTAIN PROVISIONS OF THE MICHIGAN CONSTITUTION, ACT 51, AND THE RESOLUTION,” the percentage allocation and distribution formula for the funds deposited in the MTF is established by Act 51 for each fiscal year.

Act 51 provides that the first annual priority for the use of funds restricted for use for transportation purposes by the Michigan Constitution and deposited in the State Trunk Line Fund is the payment, when due, of debt service on State Trunk Line Fund bonds, notes and other obligations, including the Bonds, issued or incurred by the State under Section 18b of Act 51, and the payment of the State’s contractually required contributions pledged to the payment of debt service on bonds issued under Section 18d of Act 51. Section 11 of Act 51 contains an irrevocable continuing appropriation of the funds deposited in the State Trunk Line Fund for such purpose. Pursuant to the requirements of Act 51, the Resolution contains an irrevocable pledge of the funds restricted for use by the Michigan Constitution and deposited in the State Trunk Line Fund for the payment of the principal of and interest on the Bonds, on a parity basis with the Outstanding Bonds and the State’s share of debt service payments on any Additional Bonds.

Under existing principles of constitutional and state law, any action by the State, including the adoption of legislation or constitutional amendments, which would impair the obligation of a contract, such as the pledges the Resolution made for the benefit of the holders of the Bonds and Outstanding Bonds, including actions to (1) reduce the current rates of taxes on motor vehicle fuel or registered motor vehicles, or (2) alter the allocation formula for the distribution of funds deposited in the MTF from that specified in Act 51, would be invalid to the extent that such action would result in insufficient funds being deposited in any future year into the State Trunk Line Fund to pay debt service on the Bonds and the Outstanding Bonds. The State legislature is not required, however, to appropriate general fund moneys to pay debt service on the Bonds or the Outstanding Bonds, or to increase the rates of taxes on motor vehicle fuels or registered motor vehicles in any future year, even if the revenues produced from such taxes and allocated to the State Trunk Line Fund result in insufficient revenues to pay debt service on the Bonds and the Outstanding Bonds.

THE BONDS ARE PAYABLE SOLELY FROM THE SOURCES OF FUNDS SPECIFIED HEREIN, AND ARE NOT GENERAL OBLIGATIONS OF THE STATE, ITS AGENCIES, INSTRUMENTALITIES OR POLITICAL SUBDIVISIONS.

Enforceability of the Bonds and the Resolution may be subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors' rights generally, now existing or enacted in the future, to the extent constitutionally applicable, and may be subject to the exercise of judicial discretion in accordance with general principles of equity, including those related to equitable subordination.

Outstanding Bonds and Additional Bonds

The State has previously issued bonds under Section 18b of Act 51, payable from funds in the State Trunk Line Fund. (Those bonds remaining unpaid, excluding the Refunded Bonds described below, are called the "Outstanding Bonds.") (See "STATEMENT OF OUTSTANDING OBLIGATIONS.") Principal of and interest on bonds issued by the State for Highway, Street and Road Purchase under Section 18b are payable (unless issued as grant or bond anticipation bonds or notes) entirely from moneys deposited in the State Trunk Line Fund. Principal of and interest on bonds issued under Section 18d of Act 51 are payable partly from pledged contractual obligations of the State payable from moneys deposited in the State Trunk Line Fund and partly from pledged contractual obligations of cities, villages, or county road commissions or departments. (See "SUMMARY OF CERTAIN PROVISIONS OF THE MICHIGAN CONSTITUTION, ACT 51, AND THE RESOLUTION.") As described above, the payment of principal of and interest on the Bonds and the Outstanding Bonds, and the State's share of principal and interest requirements on any additional bonds or notes issued in the future for Highway, Street and Road Purposes under Sections 18b or 18d of Act 51 and pledging for their payment funds deposited in the State Trunk Line Fund ("Additional Bonds") except when legally defeased, constitute a first lien on the moneys restricted as to use for transportation purposes by Section 9 of Article IX of the Michigan Constitution and deposited in the State Trunk Line Fund.

The State has previously legally defeased all or part of certain previously issued series of State Trunk Line Fund bonds under the resolutions authorizing the same. These bonds which have been legally defeased are together called the "Refunded Bonds." The Refunded Bonds are payable solely from the escrowed cash and investments held for such purposes, and the holders thereof have no claim against the State Trunk Line Fund for payment of debt service.

The State may issue Additional Bonds for Highway, Street and Road Purposes (or incur contractual obligations in connection with bonds issued for such purposes), subject to certain limitations in Sections 18b and 18d of Act 51, and the State's share of the debt service requirements thereon shall be payable on a parity with the Bonds and the Outstanding Bonds from the constitutionally restricted moneys deposited in the State Trunk Line Fund. Additional Bonds may only be issued under Section 18b to the extent that the maximum annual debt service on bonds and notes issued for Highway, Street and Road Purposes under Section 18b and pledging for the payment thereof moneys deposited in the State Trunk Line Fund, together with the annual amounts contractually pledged to be paid from the State Trunk Line Fund for debt service on bonds issued under Section 18d (excluding any bonds such as the Refunded Bonds which have been refunded or for which refunding bonds have been sold) does not exceed 50% of the total amount of money constitutionally restricted to use for transportation purposes and deposited in the State Trunk Line Fund during the State fiscal year immediately preceding the issuance of the Additional Bonds.

ADDITIONAL MDOT FINANCINGS

The State expects to issue, from time to time, Additional Bonds payable from the State Trunk Line Fund, based on its need for funding transportation programs, but does not expect to do so within the next twelve months. The State may also issue Additional Bonds payable from the State Trunk Line Fund for refunding purposes from time to time when market conditions are favorable.

The State has previously issued and may hereafter issue bonds for comprehensive transportation purposes as defined by law payable from moneys deposited in the Comprehensive Transportation Fund.

The State has previously issued Grant Anticipation Notes and/or Grant Anticipation Bonds (collectively, the “Grant Anticipation Obligations”) payable solely from federal grant receipts.

Any such Grant Anticipation Obligations and/or any such Comprehensive Transportation Fund Bonds would not be payable from the sources of payment described above under “SECURITY FOR THE BONDS.”

SOURCES OF CONSTITUTIONALLY RESTRICTED REVENUES OF THE MICHIGAN TRANSPORTATION FUND

General

Under the Michigan Constitution, the restriction of the proceeds of certain taxes for use for transportation purposes allows such proceeds to be pledged for the payment of debt service on bonds of the State issued for transportation purposes. This section describes the sources of constitutionally restricted revenues allocated by Act 51 to the MTF. The money credited to the MTF and the State Trunk Line Fund is held by the Michigan Department of Treasury as part of the State Treasurer’s Common Cash Fund. A portion of the revenue of the MTF is credited to the State Trunk Line Fund and is irrevocably pledged on a first lien basis for debt service on the Bonds and the Outstanding Bonds and the State’s share of debt service on any Additional Bonds. (See “SECURITY FOR THE BONDS” and “SUMMARY OF CERTAIN PROVISIONS OF THE MICHIGAN CONSTITUTION, ACT 51, AND THE RESOLUTION.”)

The sources of constitutionally restricted revenues allocated by Act 51 to the MTF include motor vehicle fuel taxes, motor vehicle registration taxes, and miscellaneous fees. The sources of constitutionally restricted revenues of the MTF, including amounts transferred from the MTF to the State Trunk Line Fund, but excluding investment earnings, for the fiscal years ended September 30, 2010 through September 30, 2014, and projected for the fiscal years ending September 30, 2015 and September 30, 2016, are set forth in Table 1. Each revenue source is described in more detail in the subsections which follow the table.

Table 1
Constitutionally Restricted Revenues of the
Michigan Transportation Fund
Fiscal Years 2010-2016
(in millions)

Fiscal Year Ended <u>September 30</u>	<u>Motor</u> <u>Fuel Taxes</u>	<u>Registration</u> <u>Taxes</u>	<u>Misc.</u> <u>Fees</u>	<u>Total</u> <u>Revenues</u> ⁽¹⁾	Portion Transferred to State Trunk Line <u>Fund by Formula</u>
2010	\$962.1	\$842.1	\$33.8 ⁽²⁾	\$1,837.9	\$586.6
2011	957.7	859.7	34.2 ⁽³⁾	1,851.5	591.5
2012	945.9	876.1	35.0 ⁽³⁾	1,857.0	592.0
2013	950.9	906.5	36.1 ⁽³⁾	1,893.5	607.3
2014	958.8	940.6	37.4 ⁽³⁾	1,936.8	622.2
2015 ⁽⁴⁾	955.9	965.0	38.0 ⁽³⁾	1,958.9	629.4
2016 ⁽⁴⁾	956.4	985.0	38.5	1,979.9	636.7

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- (1) Line items may not add to total due to rounding. As a result of the exclusion of transfers from the General Fund of a portion of the motor carrier fees, which are not constitutionally restricted, and investment earnings, Total Revenues shown above do not equal Total Revenues for the MTF shown in Appendix I. Excludes MTF investment earnings and other revenues.
- (2) The expeditious treatment fee and the registration fees deposited into the MTF were redirected in Fiscal Year 2010 to the transportation administration collection fund in accordance with Act 99 P.A. of 2009 ("Act 99"), to pay costs of collection of these fees and taxes.
- (3) The expeditious treatment fee and the registration fees deposited into the MTF were redirected in Fiscal Years 2011 through 2014 and will be redirected in Fiscal Year 2015 to the transportation administration collection fund in accordance with Act 159 P.A. of 2011 ("Act 159"), to pay costs of collection of these fees and taxes.
- (4) Projected. Based on the May 2015 Consensus Revenue Estimating Conference. There can be no assurance that actual revenues will be generated in the amounts shown.

Sources: Fiscal Years 2010-2014: State Budget Office, annual financial reports, and annual reports of MDOT.
Fiscal Years 2015 and 2016: MDOT and Michigan Department of Treasury, Office of Revenue and Tax Analysis, Michigan Transportation Revenue Estimates.

NOTE: This is a summary table. See footnotes to component tables that follow in this Section.

Each of the sources of constitutionally restricted revenues of the MTF is described below.

Motor Fuel Taxes

Motor fuel taxes (“Motor Fuel Taxes”) include specific State taxes imposed upon the sale of gasoline, diesel fuel and liquefied petroleum gas (“LPG”) used to propel motor vehicles on highways (collectively “Motor Fuel”) but do not include general sales and use taxes imposed on Motor Fuel. Prior to January 1, 1993, Motor Fuel Taxes were collected from licensed wholesale distributors of gasoline and retailers of diesel fuel. Legislation was adopted on October 15, 1992, which modified the method of imposing and collecting Motor Fuel Taxes (other than “LPG”) and which became effective January 1, 1993. Under this legislation “suppliers” (which include importers of Motor Fuel into the State via pipeline into terminals and refiners who produce Motor Fuel within the State) are required to file monthly reports with the Michigan Department of Treasury on or before the 20th day of each month following the close of the report period, showing the number of gallons of gasoline or diesel motor fuel received from the terminal in this State, the amount sold tax-exempt to wholesale distributors with exemption certificates and other purchasers, and other supporting information. Suppliers are responsible for payment of these taxes net of exempt sales. In computing the tax, a supplier may deduct 1.5% of the quantity of gasoline removed by the supplier to allow for cost of remitting the tax. A deduction for certain uncollectible sales to wholesale distributors, retail dealers or other purchasers is also permitted in certain situations. There are approximately 112 licensed suppliers in the State as of September 30, 2014. The forms and other supporting information filed by such suppliers are subject to monthly internal review by the Department of Treasury. The Department of Treasury is empowered to audit those suppliers, which for the most part, represent major oil companies and distribute over 95% of the Motor Fuel sold in Michigan. Taxes on LPG will continue to be collected and paid on a quarterly basis (by the 20th of the month following the close of the report period) at the retail level by the licensed dealer.

The Motor Fuel Tax is imposed at a cents-per-gallon rate. Effective August 1, 1997, in accordance with Act 83 of the Michigan Public Acts of 1997, the tax imposed on gasoline was increased from 15 cents to 19 cents per gallon, and the tax imposed on diesel motor fuel was set at a flat 15 cents per gallon rate.

Effective April 1, 2001, Act 403 of 2000 repealed and replaced Act 150 of 1927. Act 403 neither increased nor decreased motor fuel tax rates. It did, however, implement a dyed diesel fuel program, clarify the manner of imposition and collection of motor fuel taxes, and impose additional licensing and reporting requirements.

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Motor Fuel Tax rates and revenues for the fiscal years ended September 30, 2010 through September 30, 2014, and projected for the fiscal years ending September 30, 2015 and September 30, 2016, are set forth below.

Table 2
Motor Fuel Tax Revenues
Fiscal Years 2010-2016
(in millions)

<u>Fiscal Year</u> <u>Ended</u> <u>September 30</u>	<u>Gasoline</u> <u>Tax</u> <u>Revenue</u>	<u>Diesel</u> <u>Tax</u> <u>Revenue</u>	<u>LPG</u> <u>Tax</u> <u>Revenue</u>	<u>Total</u> <u>Motor Fuel</u> <u>Tax Revenues</u> ⁽¹⁾
2010	\$841.7	\$120.1	\$0.3	\$962.1
2011	831.7	125.6	0.3	957.7
2012	818.8	126.8	0.4	945.9
2013	821.6	128.9	0.4	950.9
2014	820.6	137.8	0.4	958.8
2015 ⁽²⁾	820.0	135.5	0.4	955.9
2016 ⁽²⁾	819.0	137.0	0.4	956.4

(1) Line items may not add to total due to rounding.

(2) Projected. Based on the May 2015 Consensus Revenue Estimating Conference. There can be no assurance that actual revenues will be generated in the amounts shown.

Sources: Fiscal Years 2010-2014: State Budget Office, annual financial reports, and annual reports of MDOT.
 Fiscal Years 2015 and 2016: MDOT and Michigan Department of Treasury, Office of Revenue and Tax Analysis, Michigan Transportation Revenue Estimates.

A number of factors, including but not limited to consumption changes resulting from increased gasoline prices, fuel efficiency and general economic factors, could impact future motor fuel tax revenues.

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Motor vehicle fuel consumption (excluding LPG) for the fiscal years ended September 30, 2010 through September 30, 2014, and projected for the fiscal years ending September 30, 2015 and September 30, 2016, are set forth below.

Table 3
Motor Vehicle Fuel Consumption⁽¹⁾
Fiscal Years 2010-2016
(millions of gallons taxed)

Fiscal Year Ended September 30	Gasoline ⁽²⁾	% Annual Increase/ (Decrease)	Diesel Fuel ⁽³⁾	% Annual Increase/ (Decrease)	Total Fuels ⁽⁴⁾	% Annual Increase/ (Decrease)	Diesel Fuel as % of Total Fuel Consumed
2010	4,480.7	(0.6)	818.3	7.2	5,298.9	0.6	15.4
2011	4,438.4	(0.9)	829.2	1.3	5,267.6	(0.6)	15.7
2012	4,383.3	(1.2)	806.4	(2.7)	5,189.7	(1.5)	15.5
2013	4,442.1	1.3	824.6	2.3	5,266.8	1.5	15.7
2014	4,429.6	(0.3)	861.2	4.4	5,290.7	0.5	16.3
2015 ⁽⁵⁾	4,424.3	(0.1)	845.1	(1.9)	5,269.3	(0.4)	16.0
2016 ⁽⁵⁾	4,418.9	(0.1)	854.4	1.1	5,273.3	0.1	16.2

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- (1) The fuel consumption reported in this table when multiplied by the tax per gallon does not precisely track the tax revenues reported in Table 2 and Table 9, because of timing differences and refunds paid out.
- (2) Gallons of gasoline taxed include gasohol as well as Ethanol Blend E70-E99.
- (3) Gallons of diesel fuel taxed include Biodiesel Blend B05+.
- (4) Line items may not add to total due to rounding.
- (5) Projected. Based on the May 2015 Consensus Revenue Estimating Conference. There can be no assurance that actual consumption will occur in the amounts shown.

Sources: Fiscal Years 2010-2014: MDOT, based on Michigan Department of Treasury, Motor Fuel Consumption Reports.
 Fiscal Years 2015 and 2016: MDOT.

Motor Vehicle Registration Taxes

A Motor Vehicle Registration Tax (the “Registration Tax”) is paid by the owner of each registered motor vehicle at the time license plates are issued by the Michigan Department of State. Registration Tax receipts are deposited daily and promptly credited to the MTF. The Registration Taxes on trucks and other commercial vehicles are established by legislative formulae generally based on vehicle weight.

Since October 1, 1983, the tax basis for passenger vehicles has been a value basis. Such vehicles are taxed at the rate of 0.5% of base purchase price, or value if purchased out of State, with a descending scale for the second, third and fourth years at 90% of the previous year’s rate and with the rate thereafter fixed at the rate for the fourth year. Reduced Registration Taxes are charged on farm vehicles, hearses, ambulances, public service vehicles and historical vehicles, among others.

The number of registered vehicles for the fiscal years ended September 30, 2010 through September 30, 2014, and as projected for the fiscal years ending September 30, 2015 and September 30, 2016, are set forth below.

Table 4
Registered Motor Vehicles
Fiscal Years 2010-2016
(in thousands)

<u>Fiscal Year</u> <u>Ended</u> <u>September 30</u>	<u>Passenger</u> <u>Vehicles</u>	<u>Commercial</u> <u>Vehicles</u> ⁽¹⁾	<u>Other</u> <u>Vehicles</u>	<u>Total</u> <u>Vehicles</u> ⁽²⁾	<u>% Annual</u> <u>Increase/</u> <u>(Decrease)</u>
2010	7,293	501	400	8,194	(0.4)
2011	7,348	472	402	8,223	0.3
2012	7,330	462	417	8,208	(0.2)
2013	7,405	455	411	8,271	0.8
2014	7,444	459	412	8,314	0.5
2015 ⁽³⁾	7,504	457	436	8,397	1.0
2016 ⁽³⁾	7,564	455	463	8,482	1.0

(1) Registrations sold by the International Registration Plan Clearinghouse are not included in this table.

(2) Line items may not add to total due to rounding.

(3) Projected. Based on the May 2015 Consensus Revenue Estimating Conference. There can be no assurance that actual registrations will occur in the amounts shown.

Sources: Fiscal Years 2010-2014: Michigan Department of State, Annual Motor Vehicle Registration Reports.
 Fiscal Years 2015 and 2016: MDOT.

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The Registration Tax revenues for the fiscal years ended September 30, 2010 through September 30, 2014, and projected for the fiscal years ending September 30, 2015 and September 30, 2016, are set forth below.

Table 5
Motor Vehicle Registration Tax Revenues⁽¹⁾
Fiscal Years 2010-2016
(in millions)

Fiscal Year Ended <u>September 30</u>	<u>Passenger Vehicles</u>	<u>Commercial Vehicles⁽²⁾</u>	<u>Other Vehicles</u>	<u>Total Vehicles⁽³⁾</u>	<u>% Annual Increase/ (Decrease)</u>
2010	\$653.3	\$164.2	\$21.1	\$838.5	0.2
2011	670.2	164.2	21.6	856.1	2.1
2012	682.7	168.7	23.3	874.7	2.2
2013	708.2	175.2	23.7	907.1	3.7
2014	732.7	184.1	25.1	942.0	3.8
2015 ⁽⁴⁾	755.1	183.3	26.6	965.0	2.4
2016 ⁽⁴⁾	774.3	182.5	28.2	985.0	2.1

-
- (1) Registration Tax Revenues shown above differ from Registration Taxes as shown in Table 1 and Table 9 due to the Michigan Department of State reporting on a cash basis in contrast to the State Budget Office reporting on an accrual basis.
 - (2) Revenues collected by the International Registration Plan Clearinghouse are included in this table.
 - (3) Line items may not add to total due to rounding.
 - (4) Projected. Based on the May 2015 Consensus Revenue Estimating Conference. There can be no assurance that actual revenues will be generated in the amounts shown.

Sources: Fiscal Years 2010-2014: Michigan Department of State, Annual Motor Vehicle Registration Reports.
Fiscal Years 2015 and 2016: MDOT.

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Miscellaneous Fees

Miscellaneous Fees include motor vehicle title fees, special license plate registration taxes (not based on vehicle weight, purchase price or value), and license plate transfer fees paid by the vehicle owner to the Michigan Department of State. The title and license plate transfer fees are usually occasioned by the purchase of a new or used vehicle. Upon receipt by the Michigan Department of State, such funds are deposited daily and promptly credited to the MTF. Miscellaneous fees for the fiscal years ended September 30, 2010 through September 30, 2014, and projected for the fiscal years ending September 30, 2015 and September 30, 2016, are set forth below.

Table 6
Miscellaneous Fee Revenues
Fiscal Years 2010-2016
(in millions)

Fiscal Year Ended <u>September 30</u>	Miscellaneous <u>Fees</u>
2010	\$33.8 ⁽¹⁾
2011	34.2 ⁽²⁾
2012	35.0 ⁽²⁾
2013	36.1 ⁽²⁾
2014	37.4 ⁽²⁾
2015 ⁽³⁾	38.0 ⁽²⁾
2016 ⁽³⁾	38.5

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- (1) The expeditious treatment fee and the registration fees deposited into the MTF were redirected in Fiscal Year 2010 to the transportation administration collection fund in accordance with Act 99, to pay costs of collection of these fees and taxes.
 - (2) The expeditious treatment fee and registration fees deposited into the MTF were redirected in Fiscal Years 2011 through 2014 and will be redirected in Fiscal Year 2015 to the transportation administration collection fund in accordance with Act 159, to pay costs of collection of these fees and taxes.
 - (3) Projected. Based on the May 2015 Consensus Revenue Estimating Conference. There can be no assurance that actual revenues will be generated in the amounts shown.

Sources: Fiscal Years 2010-2014: State Budget Office, annual financial reports and annual reports of MDOT.
Fiscal Years 2015 and 2016: MDOT and Michigan Department of Treasury, Office of Revenue and Tax Analysis, Michigan Transportation Revenue Estimates.

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STATEMENT OF OUTSTANDING OBLIGATIONS

The following table shows the amounts of State bonds issued under Section 18b of Act 51 payable from the State Trunk Line Fund and the Comprehensive Transportation Fund, as well as Grant Anticipation obligations payable from Federal Highway Administration grant revenues and outstanding (excluding any Refunded Bonds) as of the close of fiscal years ended September 30, 2010 through September 30, 2015, and projected for the fiscal year ending September 30, 2016, assuming the Bonds have been issued and the Prior Bonds have been redeemed as described in the section entitled "PLAN OF REFUNDING."

Table 7
Act 51 Bonds as of September 30, 2010-2016
(in thousands)⁽¹⁾⁽²⁾
Amounts Outstanding September 30

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	Projected <u>2016⁽⁶⁾</u>
State Trunk Line Fund Bonds ⁽³⁾							
Outstanding Bonds	\$1,405,961	\$1,315,660	\$1,304,700	\$1,206,365	\$1,084,680	\$973,285	\$792,415
The Bonds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>54,055</u>
Total	1,405,961	1,315,660	1,304,700	1,206,365	1,084,680	973,285	846,470
Comprehensive Transportation Bonds ⁽⁴⁾	206,185	196,025	179,705	165,295	150,760	131,525	115,000
Grant Anticipation Obligations ⁽⁵⁾	<u>756,495</u>	<u>749,155</u>	<u>741,455</u>	<u>733,410</u>	<u>724,960</u>	<u>716,305</u>	<u>707,230</u>
Total Act 51 Bonds	<u>\$2,368,641</u>	<u>\$2,260,840</u>	<u>\$2,225,860</u>	<u>\$2,105,070</u>	<u>\$1,960,400</u>	<u>\$1,821,115</u>	<u>\$1,668,700</u>

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- (1) Includes the accreted value of capital appreciation bonds. Act 51 indebtedness included in the State's Comprehensive Annual Financial Report is calculated based on the original principal amount of capital appreciation bonds.
 - (2) Does not include any previously refunded bonds.
 - (3) Secured by State Trunk Line Fund revenues.
 - (4) Secured by Comprehensive Transportation Fund revenues.
 - (5) Secured by Federal Highway Administration Grant revenues.
 - (6) Includes the Bonds. Does not include any other anticipated bond issues. See "Additional MDOT Financings" section.

Source: MDOT.

**DEBT SERVICE ON THE OUTSTANDING BONDS
AND THE BONDS**

The debt service requirements for the Bonds and the Outstanding Bonds (excluding the Prior Bonds and any Refunded Bonds), which will constitute all bond debt service payable from the State Trunk Line Fund upon the issuance of the Bonds, are set forth on the table below.

Table 8

**State Trunk Line Fund
Annual Debt Service Requirements for the Outstanding Bonds and the Bonds
Fiscal Years**

Ending September 30	Debt Service on Outstanding Bonds	Debt Service on Prior Bonds ⁽¹⁾	The Bonds			Total Debt Service on the Outstanding Bonds and the Bonds
			Principal Requirements	Interest	Total Debt Service	
2016	\$162,370,344	\$ 3,224,000	\$ -	\$ 1,438,003	\$ 1,438,003	\$ 160,584,347
2017	162,376,994	3,224,000	-	2,614,550	2,614,550	161,767,544
2018	161,380,538	3,224,000	-	2,614,550	2,614,550	160,771,088
2019	161,343,431	3,224,000	-	2,614,550	2,614,550	160,733,981
2020	119,019,969	3,224,000	-	2,614,550	2,614,550	118,410,519
2021	115,180,131	3,224,000	-	2,614,550	2,614,550	114,570,681
2022	115,147,600	3,224,000	-	2,614,550	2,614,550	114,538,150
2023	85,668,919	66,092,000	54,055,000	1,307,275	55,362,275	74,939,194
2024	19,580,919	-	-	-	-	19,580,919
2025	19,580,156	-	-	-	-	19,580,156
2026	9,181,722	-	-	-	-	9,181,722
2027	9,181,588	-	-	-	-	9,181,588
2028	6,420,625	-	-	-	-	6,420,625
2029	6,418,750	-	-	-	-	6,418,750
2030	6,416,375	-	-	-	-	6,416,375
2031	6,417,875	-	-	-	-	6,417,875
2032	6,417,625	-	-	-	-	6,417,625
2033	6,416,500	-	-	-	-	6,416,500
2034	6,418,750	-	-	-	-	6,418,750
2035	6,417,375	-	-	-	-	6,417,375
2036	6,416,875	-	-	-	-	6,416,875
2037	6,416,500	-	-	-	-	6,416,500
Total	\$1,204,189,561	\$88,660,000	\$54,055,000	\$18,432,578	\$72,487,578	\$1,188,017,139

(1) Includes only debt service on Prior Bonds being refunded by the Bonds.

Note: Totals may not add due to rounding.

Source: MDOT.

**HISTORICAL AND PROJECTED DEBT SERVICE COVERAGE
ON THE BONDS AND THE OUTSTANDING BONDS**

The following tables show the estimated coverage of maximum future annual debt service on the Bonds and the Outstanding Bonds (excluding the Prior Bonds and any Refunded Bonds) by the audited revenues credited to the State Trunk Line Fund, and the amounts of non-federal funds available, after payment of actual debt service, for the transportation programs of the State Trunk Line Fund during the fiscal years ended September 30, 2010 through September 30, 2014, and projected for the fiscal years ending September 30, 2015 and September 30, 2016. (See “SECURITY FOR THE BONDS” and “SUMMARY OF CERTAIN PROVISIONS OF THE MICHIGAN CONSTITUTION, ACT 51 AND THE RESOLUTION.”)

Table 9

**State Trunk Line Fund Pro Forma
Debt Service Coverage on the Bonds and the Outstanding Bonds
(in millions)**

	Fiscal Year Ended September 30						
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015⁽¹⁾</u>	<u>2016⁽¹⁾</u>
Constitutionally Restricted MTF Revenues:							
Motor Fuel Taxes	\$ 962.1	\$ 957.7	\$ 945.9	\$ 950.9	\$ 958.8	\$ 955.9	\$ 956.4
Registration Taxes	842.1	859.7	876.1	906.5	940.6	965.0	985.0
Miscellaneous Fees	<u>33.8</u>	<u>34.2</u>	<u>35.0</u>	<u>36.1</u>	<u>37.4</u>	<u>38.0</u>	<u>38.5</u>
Total	\$1,837.9	\$1,851.5	\$1,857.0	\$1,893.5	\$1,936.8	\$1,958.9	\$1,979.9
Less Deductions:	<u>366.6</u>	<u>367.4</u>	<u>368.4</u>	<u>367.8</u>	<u>374.1</u>	<u>382.9</u>	<u>385.0</u>
Constitutionally Restricted Revenues Available for Distribution by Formula	\$1,471.4	\$1,484.1	\$1,488.6	\$ 1,525.7	\$1,562.8	\$1,576.0	\$1,594.9
Constitutionally Restricted Revenues Transferred by Formula	\$ 586.6	\$ 591.5	\$ 592.0	\$ 607.3	\$ 622.2	\$ 629.4	\$ 636.7
Additional Constitutionally Restricted Revenues ⁽²⁾	<u>\$ 119.6</u>	<u>\$ 119.5</u>	<u>\$ 119.5</u>	<u>\$ 119.3</u>	<u>\$ 118.7</u>	<u>\$ 118.7</u>	<u>\$ 118.7</u>
Total Constitutionally Restricted Revenues Available for Debt Service	\$ 706.1	\$ 711.0	\$ 711.5	\$ 726.6	\$ 740.8	\$ 748.1	\$ 755.4
Maximum Future Annual Debt Service on the Bonds and the Outstanding Bonds ⁽³⁾	\$ 161.8	\$ 161.8	\$ 161.8	\$161.8	\$ 161.8	\$ 161.8	\$ 161.8
Debt Service Coverage	4.4x	4.4x	4.4x	4.5x	4.6x	4.6x	4.7x

NOTE: Line items may not add to totals due to rounding.

- (1) Projected. Based on the May 2015 Consensus Revenue Estimating Conference. There can be no assurance that actual revenues will be generated in the amounts shown.
- (2) Includes distribution to the State Trunk Line Fund for subsequent allocation to the Local Program Fund, the Transportation Economic Development Fund and debt service.
- (3) Excludes Refunded Bonds as defined under “SECURITY FOR THE BONDS-Outstanding Bonds and Additional Bonds” and the Prior Bonds.

Sources: Fiscal Years 2010-2014: State Budget Office, annual financial reports, and annual reports of MDOT.
Fiscal Years 2015 and 2016: MDOT and Michigan Department of Treasury, Office of Revenue and Tax Analysis, Michigan Transportation Revenue Estimates.

Table 10

**State Trunk Line Fund
Funds Available For Program After Debt Service
(in millions)**

	Fiscal Year Ended September 30						
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015⁽¹⁾</u>	<u>2016⁽¹⁾</u>
Constitutionally Restricted Revenues Available for Debt Service	\$706.1	\$711.0	\$711.5	\$726.6	\$740.8	\$748.1	\$755.4
Actual Debt Service	<u>160.1</u>	<u>160.1</u>	<u>161.9</u>	<u>161.8</u>	<u>165.7</u>	<u>160.1</u>	<u>160.7</u>
Constitutionally Restricted Revenues Available After Debt Service	\$546.0	\$550.9	\$549.7	\$564.8	\$575.1	\$588.0	\$594.7
Additional Non-Federal Revenues ⁽²⁾	<u>37.3</u>	<u>39.7</u>	<u>35.8</u>	<u>133.5⁽³⁾</u>	<u>36.3⁽⁴⁾</u>	<u>33.5⁽⁵⁾</u>	<u>37.4⁽⁶⁾</u>
Total Non-Federal Revenues Available After Debt Service for Program	<u>\$583.3</u>	<u>\$590.6</u>	<u>\$585.5</u>	<u>\$698.3</u>	<u>\$611.4</u>	<u>\$621.5</u>	<u>\$632.1</u>

NOTE: Line items may not add to totals due to rounding.

- (1) Projected. Based on the May 2015 Consensus Revenue Estimating Conference. There can be no assurance that actual revenues will be generated in the amounts shown.
- (2) Includes State Trunk Line investment earnings, sales of assets and miscellaneous revenues as well as MTF other revenues.
- (3) Includes \$100 million sales tax redirected to the State Trunk Line Fund.
- (4) Does not include \$108.1 million Priority Roads Investment Program funding from the Roads and Risk Reserve Fund and General Fund; \$121.3 million federal aid match for State Trunk Line Road and Bridge Construction from the General Fund; or \$39.1 million special winter road maintenance funding from the General Fund in fiscal year 2014.
- (5) Does not include \$127.0 million from the General Fund to match federal aid for State Trunk Line Road and Bridge construction or \$56.5 million from the General Fund for State Road and Bridge Programs in fiscal year 2015.
- (6) Does not include \$113.0 million from the General Fund to match federal aid for State Trunk Line Road & Bridge construction or \$101.8 million from the General Fund for State Road and Bridge Programs in fiscal year 2016.

Sources: Fiscal Years 2010-2014: MDOT.
Fiscal Years 2015 and 2016: MDOT and Michigan Department of Treasury, Office of Revenue and Tax Analysis, Michigan Transportation Revenue Estimates.

**SUMMARY OF CERTAIN PROVISIONS OF THE MICHIGAN
CONSTITUTION, ACT 51, AND THE RESOLUTION**

The following is a summary of certain provisions of the Michigan Constitution of 1963, Act 51, and the Resolution. This summary does not purport to be a complete statement of all provisions thereof, and reference is made thereto for a complete statement of the provisions thereof.

Transportation Tax Provisions of the Michigan Constitution

Section 9 of Article IX of the Michigan Constitution provides as follows:

All specific taxes, except general sales and use taxes and regulatory fees, imposed directly or indirectly on fuels sold or used to propel motor vehicles upon highways and to propel aircraft and on registered motor vehicles and aircraft shall, after the payment of necessary collection expenses, be used exclusively for transportation purposes as set forth in this section.

Not less than 90 percent of the specific taxes, except general sales and use taxes and regulatory fees, imposed directly or indirectly on fuels sold or used to propel motor vehicles upon highways and on registered motor vehicles shall, after the payment of necessary collection expenses, be used exclusively for the transportation purposes of planning, administering, constructing, reconstructing, financing, and maintaining state, county, city, and village roads, streets, and bridges designed primarily for the use of motor vehicles using tires, and reasonable appurtenances to those state, county, city and village roads, streets and bridges.

The balance, if any, of the specific taxes, except general sales and use taxes and regulatory fees, imposed directly or indirectly on fuels sold or used to propel motor vehicles upon highways and on registered motor vehicles, after the payment of necessary collection expenses; 100 percent of the specific taxes, except general sales and use taxes and regulatory fees, imposed directly or indirectly on fuels sold or used to propel aircraft and on registered aircraft, after the payment of necessary collection expenses; and not more than 25 percent of the general sales taxes, imposed directly or indirectly on fuels sold to propel motor vehicles upon highways, on the sale of motor vehicles, and on the sale of the parts and accessories of motor vehicles, after the payment of necessary collection expenses; shall be used exclusively for the transportation purposes of comprehensive transportation purposes as defined by law.

The legislature may authorize the incurrence of indebtedness and the issuance of obligations pledging the taxes allocated or authorized to be allocated by this section, which obligations shall not be construed to be evidence of State indebtedness under this constitution.

Act 51

Allocation of Tax and Fee Proceeds

Act 51 provides for the distribution of funds received by the State for transportation purposes. Section 10 of Act 51 requires that all moneys received and collected under: (a) Act 150, Public Acts of Michigan, 1927, as amended, being gasoline, diesel fuel and liquified petroleum gas taxes (see the section hereof entitled "SOURCES OF CONSTITUTIONALLY RESTRICTED REVENUES OF THE MICHIGAN TRANSPORTATION FUND"), except a license fee provided in that act; (b) Sections 801 to 810 of Act 300, Public Acts of Michigan, 1949, as amended (Registration Taxes, title fees, special

registration taxes and transfer fees) except a truck safety fund fee; and (c) Act 254, Public Acts of Michigan, 1933, as amended (taxes on trailers and common carriers) be deposited into the State Treasury to the credit of the MTF. Except for investment income or profit from investing moneys of the MTF which are deposited therein, no other moneys from any source are deposited into the MTF.

Before distributions are made from the MTF pursuant to the formula outlined below, the following distributions must be made: (a) payment of the amounts appropriated by the legislature for the necessary expenses incurred in the collection and administration of the transportation taxes and enforcement of the statutes described in the section hereof entitled "SOURCES OF CONSTITUTIONALLY RESTRICTED REVENUES OF THE MICHIGAN TRANSPORTATION FUND"; and (b) payment of amounts equal to 2.0% of the net gasoline tax (excluding aircraft gasoline taxes), which are credited to the Recreational Improvement Fund and used to improve recreational facilities.

Subsequent to these initial distributions, moneys remaining in the MTF are apportioned and appropriated each fiscal year (except as otherwise provided) as follows:

(a) Not more than \$3,000,000 as may be annually appropriated each fiscal year to the State Trunk Line Fund for subsequent deposit in the Railroad Grade Crossing Account.

(b) Not less than \$3,000,000 each year to the local bridge fund created pursuant to subsection 5 of Section 10 of Act 51 (the "Local Bridge Fund") for the purpose of payment of the principal, interest and redemption premium on any notes or bonds issued by the State Transportation Commission under former Section 11b of Act 51 or subsection (10) of Section 10 of Act 51.

(c) Revenue from 3 cents of the tax levied under section 8(1)(a) of 2000 PA 403, MCL 207.1008, to the State Trunk Line Fund, county road commissions or departments, and cities and villages in the percentages provided in subdivision (i).

(d) One-half of the revenue from 1 cent of the tax levied under section 8(1)(a) of 2000 PA 403, MCL 207.1008, to the State Trunk Line Fund for repair of state bridges under Section 11 of Act 51, and the other one-half of such revenue to the Local Bridge Fund for distribution only to cities, villages, and county road commissions or departments.

(e) \$43,000,000 to the State Trunk Line Fund for debt service costs on state of Michigan projects.

(f) 10% to the Comprehensive Transportation Fund.

(g) \$5,000,000 to the Local Bridge Fund for distribution only to the local bridge advisory board, the regional bridge councils, cities, villages, and county road commissions or departments.

(h) \$36,775,000 to the State Trunk Line Fund for subsequent deposit in the Transportation Economic Development Fund, and with first priority for allocation to debt service on bonds issued to fund Transportation Economic Development Fund Projects. In addition, \$3,500,000.00 is appropriated from the Michigan Transportation Fund to the State Trunk Line Fund for subsequent deposit in the Transportation Economic Development Fund to be used for economic development road projects in any of the targeted industries described in section 9(1)(a) of 1987 PA 231, MCL 247.909.

(i) Not less than \$33,000,000 as may be annually appropriated each fiscal year to the Local Program Fund created in Section 11e of Act 51.

(j) The balance of the Michigan Transportation Fund as follows, after deduction of the amounts appropriated in subparagraphs (a) through (i) and former Section 11b of Act 51:

- (i) 39.1% to the State Trunk Line Fund for purposes described in Section 11 of Act 51.
- (ii) 39.1% to the county road commissions or departments of the State.
- (iii) 21.8% to the cities and villages of the State.

Use of Pledged Specific Taxes and Limitations

Section 11 of Act 51 provides that money deposited in the State Trunk Line Fund is appropriated for the following purposes in the following order of priority:

(a) For the payment, but only from money restricted as to use by Section 9 of Article IX of the Michigan Constitution, of bonds, notes, or other obligations issued under Section 18b of Act 51 for Highway, Street and Road Purposes and which have pledged for their payment money deposited in the State Trunk Line Fund and the payment of contributions of the Commission to be made pursuant to contracts entered into under Section 18d of Act 51 which contributions are pledged to the payment of principal and interest on bonds issued under the authorization of Section 18d of Act 51. A sufficient portion of the Fund is irrevocably appropriated to pay, when due, the principal and interest on bonds or notes issued under Section 18b of Act 51 for Highway, Street and Road Purposes, and which have pledged for their payment money deposited in the State Trunk Line Fund and to pay the annual contributions of the Commission as are pledged for the payment of bonds issued pursuant to contracts authorized by Section 18d of Act 51. (Section 11 of Act 51 also identifies payments for contracts and bonds which have now been fully paid and with respect to which the statutory authority to issue obligations has been repealed. Thus, currently, under Section 11 the payment of principal and interest on bonds issued under Section 18b of Act 51 and contract obligations issued under Section 18d of Act 51 have first priority for payments from the State Trunk Line Fund.)

(b) For the transfer of funds appropriated pursuant to Section 10(1)(h) of Act 51 to the Transportation Economic Development Fund, but the transfer shall be reduced each fiscal year by the amount of debt service to be paid in that year from the State Trunk Line Fund for bonds, notes, or other obligations issued to fund projects of the Transportation Economic Development Fund, which amount shall be certified by MDOT.

(c) For the transfer of funds appropriated pursuant to Section 10(1)(a) of Act 51 to the Railroad Grade Crossing Account in the State Trunk Line Fund for expenditure to meet the cost, in whole or in part, of providing for the improvement, installation, and retirement of new or existing safety devices at railroad grade crossings on public roads and streets subject to the procedures set forth on Act 51.

(d) For the total operating expenses of the State Trunk Line Fund for each fiscal year as appropriated by the legislature.

(e) For the preservation and maintenance of the State Trunk Line highways and bridges.

(f) For the opening, widening, improving, construction and reconstruction of state trunk line highways and bridges, including the acquisition of necessary rights of way and the work incidental to that opening, widening, improving, construction or reconstruction. Those sums in the State Trunk Line Fund not otherwise appropriated, distributed, determined or set aside by law shall be used for the construction or reconstruction of the national system of interstate and defense highways, referred to in Act 51 as “the interstate highway system” to the extent necessary to match federal aid funds as the federal aid funds become available for that purpose; and, for the construction and reconstruction of the State Trunk Line system.

(g) MDOT may enter into agreements with county road commissions or departments and with cities and villages to perform work on a highway, road or street. MDOT also may contract with a county road commission or department, city and village to advance money to a county road commission or department, city and village to pay their costs of improving railroad grade crossings on the terms and conditions agreed to in the contract. A contract may be executed before or after the Commission borrows money for the purpose of advancing money to a county road commission or department, city, or village, but the contract shall be executed before the advancement of any money to a county road commission or department, city or village by the commission and shall provide for the full reimbursement of any advancement by a county road commission or department, city or village to MDOT, with interest, within 15 years after advancement, from any available revenue sources of the county road commission or department, city or village or, if provided in the contract, by deduction from the periodic disbursements of any money returned by the State to the county road commission or department, city or village.

(h) For providing inventories of supplies and materials required for the activities of MDOT.

Issuance of Bonds and Notes

The State may borrow money and issue bonds or notes pursuant to Section 18b of Act 51 for the following transportation purposes:

(a) To pay all or any portion of, or to make loans, grants, or contract payments to pay all or any portion of any capital costs for the purposes described in Section 9 of Article IX of the Michigan Constitution, including the funding of State Trunk Line Fund projects and Transportation Economic Development Fund projects.

(b) To pay the principal or the principal and interest on notes issued for transportation purposes.

(c) If the Commission considers refunding to be expedient, to refund bonds payable from moneys in the State Trunk Line Fund or the Comprehensive Transportation Fund or received or to be received from the MTF regardless of when the refunded bonds were issued, by the issuance of new bonds, whether or not the bonds to be refunded have matured or are subject to prior redemption or are to be paid, redeemed, or surrendered at the time of issuance of the

refunding bonds; and to issue new bonds partly to refund bonds or pay notes then outstanding and partly for any other transportation purpose authorized by Act 51.

(d) To pay all costs relating to the issuance of bonds permitted by Section 18b of Act 51 including funding debt service reserves.

In addition Act 51 permits issuance by the State of notes payable from moneys deposited in the State Trunk Line Fund subject to the same limitations on the amount that may be issued as are applicable to the issuance of bonds. The State may issue notes in anticipation of the issuance of bonds, and in anticipation of grants which, to the extent they do not pledge the deposits in the State Trunk Line Fund, are not subject to the debt service limitations described below. Any bonds to be issued to pay such notes would, however, be subject to such limitations.

Bonds or notes issued for highway, bridge, street and road purposes under Section 18b can be issued only after authorization by resolution of the Commission, which (except with respect to grant or bond anticipation bonds or notes not secured by a pledge of monies in the State Trunk Line Fund) shall contain, among other items, an irrevocable pledge providing for the payment of all or part of the principal and interest on such bonds from money restricted as to use by Section 9 of Article IX of the Michigan Constitution and which is deposited or to be deposited in the State Trunk Line Fund.

Section 18d of Act 51 also permits the Commission to enter into contracts with county road commissions or departments, cities or villages providing for the construction or reconstruction of highways, including limited access highways, under the jurisdiction and control of one of the contracting parties. Under Section 18d, the Commission is authorized to issue bonds payable from an irrevocable pledge of the receipts by each of the contracting parties of funds allocated and distributed to it from the Transportation Fund. As described above, any contractual obligation of the State under Section 18d is to be paid as a first priority from the funds deposited in the State Trunk Line Fund, on a parity basis with all other Section 18d contract obligations of the State, and on a parity basis with the obligations of the State to pay debt service on bond and notes issued under Section 18b for Highway Street and Road Purposes and payable from money deposited to the State Trunk Line Fund, including the Bonds. The obligation of the State to pay debt service on bonds issued under Section 18d is limited to the amount of the State's contractual obligation, with the balance of the debt service to be paid from the funds pledged by the other contracting parties.

The State may issue bonds or notes under Section 18b for highway, bridge, street and road purposes and payable from money deposited to the State Trunk Line Fund, or enter into contractual obligations under Section 18d only to the extent that the maximum annual debt service on bonds or notes issued under Section 18b for highway, bridge, street and road purposes together with the amounts contractually pledged by the State for debt service on bonds issued under Section 18d (excluding bonds which have been refunded or for the refunding of which refunding bonds have been sold, and excluding debt service not payable from the State Trunk Line Fund) does not exceed 50% of the total amount of money constitutionally restricted to use for transportation purposes and deposited in the State Trunk Line Fund during the State fiscal year (October 1 to September 30) immediately preceding the issuance of the bonds or notes.

Act 51 allows the State to utilize techniques such as grant anticipation notes and variable rate demand bonds in its transportation financing program. If such bonds or notes are subject to payment or purchase on demand or prior to maturity at the option of the holder, and the obligation of the State to make payment or effect purchases on demand or prior to maturity, at the option of the holder is limited to the proceeds of one or more additional security devices (such as letters of credit or bond purchase agreements) and is not payable from constitutionally restricted funds deposited in the State Trunk Line Fund, then, for purposes of computing maximum annual principal and interest requirements as described

in the preceding paragraph, the principal and interest on the bonds or notes subject to payment or purchase on demand or prior redemption at the option of the holder shall be disregarded and the maximum annual principal and interest requirements which would arise with respect to the repayment of the proceeds of the additional security device shall be substituted therefor.

Section 18l of Act 51 also permits the borrowing of funds in anticipation of the receipt of federal aid under any appropriate federal funding source, under a resolution consistent with the requirements of Section 18b of Act 51.

The Resolution

Establishment of Funds

The Resolution requires the establishment of the following funds and accounts in the State Treasury: (a) the 2015 State Trunk Line Refunding Bond Proceeds Fund (the "2015 Bond Proceeds Fund") and (b) the 2015 Bond Payment Account (the "Bond Payment Account") in the Combined State Trunk Line Bond and Interest Redemption Fund (the "Bond Payment Fund"). The Resolution provides that the net proceeds of the sale of the Bonds shall be deposited as follows:

A. All accrued interest received on delivery of the Bonds shall be deposited in the 2015 Bond Payment Account and used to pay interest on the Bonds on the first interest payment date.

B. From the proceeds of the Bonds, and from other available funds in the State Trunk Line Fund, the sum determined by the Director to be necessary to purchase investments sufficient (including investment earnings thereon), with any uninvested cash, to pay all of principal of, and premium and interest on the Prior Bonds, to and included the date fixed for redemption thereof, shall be deposited in the Escrow Fund established pursuant to the Escrow Agreement and used as provided therein.

C. The balance of the net proceeds shall be deposited in the 2015 Bond Proceeds Fund and used, together with investment earnings thereon, to pay costs related to the issuance of the Bonds and interest, if any, on the Bonds or a portion thereof for a period not beyond three years after the date of the issuance of such series as determined by the Director, and together with investment earnings thereon, part of the costs of the Projects (or reimbursement to the State for amounts previously expended on the Projects as permitted by federal tax law).

In accordance with Act 51, the Resolution creates an irrevocable pledge for the payment of the principal of and interest on the Bonds as the same become due, of sufficient moneys restricted as to use by Section 9 of Article IX of the Michigan Constitution and deposited by law in the State Trunk Line Fund. The pledge creates a first lien against the moneys so deposited in the State Trunk Line Fund for the payment of principal of and interest on the Bonds, on a parity with the debt service requirements on the Outstanding Bonds and any Additional Bonds which may hereafter be issued under the conditions and limitations prescribed in Act 51. The Resolution provides that there shall be deposited into the 2015 Bond Payment Account sufficient moneys (together with funds then on deposit in the account) allocated to the State Trunk Line Fund to pay, as the same become due by maturity or redemption prior to maturity or otherwise, the principal, redemption premiums, if any, and interest on the Bonds, and sufficient amounts to pay the fees and expenses of the Transfer Agent. On or before each date specified for the payment of principal, premium, if any, and/or interest on the Bonds, the State Treasurer shall transfer from the 2015 Bond Payment Account sufficient immediately available funds to pay the principal, premium, if any, and/or interest, respectively, due, whether by maturity, redemption prior to maturity, or otherwise, on such date, to the Transfer Agent or the holders of the Bonds if the State Treasurer is the acting Transfer Agent. Periodically, the State Treasurer shall pay the fees and expenses of the Transfer Agent, if any, from the 2015 Bond Payment Account.

Moneys in the 2015 Bond Payment Account shall, if deposited therein prior to the date they are required to be transferred to the Transfer Agent or paid to the holders of the Bonds, be held as part of the State's Common Cash Fund, and as nearly as may be practicable, be continuously invested and reinvested by the State Treasurer in such investments as are permitted and authorized by law and described below. Investments of moneys in the 2015 Bond Payment Account shall be deemed at all times to be part of the 2015 Bond Payment Account, and the interest accruing thereon and any loss or profit realized from such investment shall be applied to the 2015 Bond Payment Account. Permitted investments include:

- (1) Certificates of deposit of eligible financial institutions.
- (2) Bonds, notes, and other evidences of indebtedness of the United States Government and its agencies (or funds composed of such obligations or fully collateralized repurchase agreements with respect thereto).
- (3) Prime commercial paper.
- (4) Emergency loans to municipalities.

Investments of money in the 2015 Bond Proceeds Fund and the interest accruing thereon and any loss or profit realized from such investment shall be applied to the appropriate account in the 2015 Bond Proceeds Fund.

Designation, Removal, Resignation and Replacement of Transfer Agent

The Resolution provides that so long as the Bonds remain in the book-entry-only system, the State Treasurer (or a qualified bank or trust company appointed by the State Treasurer) shall perform the duties of Transfer Agent for the Bonds. In the event DTC discontinues the book-entry-only system or the Director determines that the continuation of the system of book-entry-only transfers through DTC (or a successor securities depository) is not in the best interests of the Beneficial Owners of the Bonds, or the State, the Director will notify the Transfer Agent and the Transfer Agent will direct DTC to make Bond certificates available to the Beneficial Owners through DTC. In such event, the State shall provide and the Transfer Agent shall transfer and exchange Bonds as requested by DTC of like tenor, principal amount, series, maturity and interest rate in authorized denominations to the identifiable Beneficial Owners in replacement of the beneficial interests of such Beneficial Owners in the Bonds. In addition, the State Treasurer shall, in such event, appoint a successor Transfer Agent.

Any Transfer Agent other than the State Treasurer may resign by giving not less than 90 days prior written notice to the State Treasurer, and the State Treasurer may remove the successor Transfer Agent by giving not less than 90 days prior written notice to the successor Transfer Agent, but no resignation shall be effective until the appointment of a successor Transfer Agent. In such event, the State Treasurer shall designate a successor Transfer Agent and shall mail notice of the appointment of the successor Transfer Agent to each registered holder of the Bonds not less than 60 days prior to the date for which the appointment is effective. Upon the appointment of a successor Transfer Agent, the predecessor Transfer Agent shall transfer all money and funds, the registration books, and all other documents and instruments relating to the Bonds held by it as Transfer Agent to the successor Transfer Agent.

Amendment of the Resolution

The Resolution provides that the Commission and the Director may amend the Resolution, without the consent of the holders of any Bonds, (i) to increase or decrease the amount of Bonds which may be issued thereunder, (ii) to provide for the issuance of Bonds thereunder to refund any Bonds then outstanding thereunder (iii) to cure any ambiguity or formal defect in the form of the Resolution, (iv) to maintain the exclusion of the interest on the Bonds from gross income for federal income tax purposes or (v) to make any other changes therein determined in good faith by the Commission to be not to the detriment of the holders of Outstanding Bonds.

Exclusive of amendments undertaken pursuant to the preceding paragraph, the holders of not less than 51% in the aggregate principal amount of the Bonds outstanding shall have the right to consent to the adoption by the Commission and the Director of such amendments to the Resolution as shall be deemed necessary and desirable by the Commission and the Director, provided, however, that nothing contained in the Resolution permits, or should be construed as permitting, (i) an extension of the maturity of the principal of or the interest on any Bond, (ii) a reduction in the principal amount of any Bond or the rate of interest or principal appreciation thereon, (iii) a privilege or priority of any Bond or Bonds over any other Bond or Bonds, or (iv) a reduction in the aggregate principal amount of the Bonds required for consent to an amendment to the Resolution. With respect to any Insured Bond, the Resolution provides that the consent of the Bond Insurer shall constitute consent of the holder of such Insured Bond for purposes of this paragraph.

If the Commission and the Director shall propose to adopt an amendment to the Resolution requiring consent of the Bondholders, the Director shall have notice of the proposed amendment mailed to each registered holder at the registered address as shown on the registration books kept by the Transfer Agent. Such notice shall briefly set forth the nature of the proposed amendment and shall state that copies thereof are on file at the principal office of the Transfer Agent for inspection by all Bondholders. If within six months following the mailing of such notice, the Bond Insurer, if any, and the holders of not less than 51% in aggregate principal amount of the Bonds outstanding (determined as provided in the Resolution) at the time of the mailing of such notice consent in writing to the adoption thereof, upon the adoption of the Amendment to the Resolution, the Resolution will then be so amended.

Nothing contained in the Resolution shall in any way be construed to prevent the issuance of bonds or notes for any purpose authorized by law, within and subject to the limitations provided by Act 51.

Defeasance of the Bonds

If all the Bonds (i) shall have become due and payable in accordance with their terms or (ii) are to be paid at their maturity or maturities or (iii) if to be redeemed prior to maturity shall have been duly called for redemption or irrevocable instructions to call the Bonds for redemption shall have been given to the Transfer Agent by the Director and the whole amount of the principal of and the interest and the premium, if any, so due and payable upon all of the Bonds then outstanding shall be paid or sufficient cash, or cash and Government Obligations (as defined below) or specifically maturing interests in a fund composed entirely of Government Obligations, the principal of and the interest on which without reinvestment, when due and payable, will provide sufficient moneys for such payment, shall be segregated and held by the State Treasurer in the 2015 Bond Payment Account or by the Transfer Agent or other escrow agent in trust for the benefit of the holders of the Bonds, then and in that case the Resolution shall be defeased and terminated and all obligations of the State of Michigan, the Commission and the Director thereunder and under Act 51 with respect to the Bonds shall thereupon cease; provided, that the applicable provisions of the Resolution pertaining to the payment of the principal of and interest and redemption premium, if any, on the Bonds, to redemption of the Bonds and to the replacement,

registration, transfer and exchange of Bonds and the covenant regarding the tax-exempt status of the Bonds shall be continued in force until such have been fully paid. On demand of the Director, any surplus in the 2015 Bond Payment Account other than money held for redemption or payment of the Bonds shall be transferred to the State Trunk Line Fund.

Bonds or portions of Bonds for which cash or cash and Government Obligations or specifically maturing interests in a fund composed entirely of Government Obligations (including principal of and interest thereon) shall be segregated and held by the State Treasurer, Transfer Agent or other escrow agent in trust for the holders of said Bonds or portions of Bonds sufficient to pay all principal, premium, if any, and interest through maturity or earlier specified redemption date for which notice shall have been duly given, or irrevocable instructions to give such notice shall have been given by the Director to the Transfer Agent, shall no longer be outstanding under the Resolution, and shall be deemed to be refunded, and the holders thereof shall have no further rights thereunder or under the Bonds except the right to receive payment from the cash or cash and Government Obligations held in trust as specified above. Bonds and interest payments on Bonds which have become due, and for the payment of which funds shall be held by the Transfer Agent, or segregated and held in the 2015 Bond Payment Account by the State Treasurer, in trust for the holders of those Bonds or the persons entitled to receive said interest payments shall, on the date of maturity thereof, be deemed to be paid, and the holders of such Bonds and the persons entitled to receive such interest shall have no further rights under the Resolution or under the Bonds except the right to receive payment from the funds held in trust as specified above.

All moneys and Government Obligations held by the State Treasurer, Transfer Agent or other escrow agent as described above shall be segregated and held in trust and applied to the payment, when due, of the Bonds and interest thereon payable therewith. If funds are held for the payment of Bonds, as described in the preceding two paragraphs, by the State Treasurer, the Resolution shall only be defeased, or the lien of the Resolution only be released with respect to such Bonds, if (i) such money and Government Obligations are held in trust for the sole and exclusive benefit of the registered owners of the Bonds (subject to the right of the State to require the release of moneys therefrom to the extent such moneys are not required for the payment of the applicable Bonds) and (ii) the registered owners of such Bonds have a valid and binding first lien on and security interest in such money and Government Obligations held by the State Treasurer.

Government Obligations for purposes of the Resolution means “(i) noncallable direct obligations of the United States of America (including obligations issued or held in book-entry form), (ii) noncallable obligations the timely payment of the principal of and interest on which are fully and unconditionally guaranteed by the United States of America, (iii) noncallable, nonprepayable obligations of agencies of the United States of America, or any other agency or corporation which has been or is hereafter created pursuant to an act of Congress of the United States as an agency or instrumentality of the United States of America (provided the agencies listed in this clause (iii) retain ratings equivalent to or higher than the ratings held by direct obligations of the United States of America by Moody’s, S&P or Fitch or any successor entities performing a similar function from which the State has requested a rating for the Bonds, as of the date the obligations are acquired); and (iv) certificates which evidence ownership of the right to payment of the principal of and interest on obligations described in clauses (i), (ii) and (iii) hereof; provided such obligations are held in the custody of a bank or trust company satisfactory to the State in a special account separate from the general assets of the custodian; provided, however, Government Obligations shall not include any investment which is prohibited or not permitted by the Act 51 or other applicable law.”

LEGAL MATTERS

Litigation

MDOT is a party to various legal proceedings seeking damages and other relief, including injunctive or mandatory relief. Such cases typically include, but are not limited to, cases alleging negligence in maintenance and design of State highways and cases seeking damages arising out of operations or from alleged changes or alteration of construction contract terms. The ultimate disposition of such legal proceedings is not presently determinable. In the opinion of the Attorney General, such legal proceedings appear unrelated to the issuance of the Bonds or the security therefor and are not expected to have a materially adverse effect upon the Bonds or security therefor.

The State of Michigan Comprehensive Annual Financial Report for the fiscal year ended September 30, 2014 (“CAFR”), incorporated in this Official Statement by reference, describes certain litigation and other legal proceedings against the State. The ultimate disposition of the legal proceedings described in the CAFR, and the potential impact thereof on the State’s General Fund and cash position, is not presently determinable. In the opinion of the Attorney General, all such legal proceedings appear unrelated to the issuance of the Bonds or the security therefor and are not expected to have an adverse effect on the Bonds or security therefor.

Legality for Investment in Michigan

The Bonds are eligible for investment in the State by State banks, savings and loan associations and insurance companies.

Approval of Legality and Counsel Responsibility

The delivery of the Bonds is conditioned upon receiving, at the time of delivery, the approving opinions of the Attorney General of the State and of Miller, Canfield, Paddock and Stone, P.L.C., Lansing, Michigan (“Bond Counsel”) substantially in the forms attached hereto as Appendices II and III. Miller, Canfield, Paddock and Stone, P.L.C. has in the past, is now, and may in the future represent the State, MDOT and/or one or more of the Underwriters of the Bonds with respect to matters unrelated to the Bonds. Certain legal matters will be passed upon for the Underwriters by their counsel, Dykema Gossett PLLC, Lansing, Michigan.

TAX MATTERS

General

In the opinion of the Attorney General of the State of Michigan and in the opinion of Bond Counsel, based on their examination of the documents described in their opinions, under existing law: (a) the interest on the Bonds is excluded from gross income for federal income tax purposes; and (b) the interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, it should be noted that certain corporations must take into account interest on the Bonds in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on such corporations. Their opinions are subject to the condition that the State complies with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be (or continue to be) excluded from gross income for federal income tax purposes. These requirements include rebating certain earnings to the United States. Failure to comply with such requirements could cause the interest on the Bonds to be included in gross income retroactive to the date of issuance of the Bonds. The State has covenanted in the Resolution to comply, to the extent permitted by law, with all such requirements.

The Attorney General and Bond Counsel will express no opinion regarding other federal tax consequences arising with respect to the Bonds and the interest thereon. They are further of the opinion that, under existing law, the Bonds and the interest thereon are exempt from all taxation provided by the laws of the State of Michigan except for estate taxes and taxes on gains realized from the sale, payment or other disposition of the Bonds.

Additional federal tax consequences relative to the Bonds and the interest thereon include the following matters: For federal income tax purposes; (a) tax exempt interest, including interest on the Bonds, is included in the calculation of modified adjusted gross income required to determine the taxability of social security or railroad retirement benefits; (b) the receipt of tax exempt interest, including interest on the Bonds, by life insurance companies may affect the federal income tax liabilities of such companies; (c) the amount of certain loss deductions otherwise allowable to property and casualty insurance companies will be reduced (in certain instances below zero) by 15% of, among other things, tax exempt interest, including interest on the Bonds; (d) interest incurred or continued to purchase or carry the Bonds may not be deducted in determining federal income tax; (e) commercial banks, thrift institutions and other financial institutions may not deduct their costs of carrying certain obligations such as the Bonds (which is subject to a de minimis exception under Section 265(b)(7) of the Code); (f) interest on the Bonds will be included in effectively connected earnings and profits for purposes of computing the branch profits tax on certain foreign corporations doing business in the United States; (g) passive investment income, including interest on the Bonds, may be subject to federal income taxation for S Corporations that have Subchapter C earnings and profits at the close of the taxable year if greater than 25% of the gross receipts of such S Corporation is passive investment income; (h) holders acquiring the Bonds subsequent to initial issuance will generally be required to treat market discount recognized under Section 1276 of the Code as ordinary taxable income; (i) the receipt or accrual of interest on the Bonds may cause disallowance of the earned income credit under Section 32 of the Code; and (j) interest on the Bonds is subject to backup withholding under Section 3406 of the Code in the case of registered owners that have not reported a taxpayer identification number and are not otherwise exempt from backup withholdings.

NO ASSURANCE CAN BE GIVEN THAT ANY FUTURE LEGISLATION OR CLARIFICATIONS OR AMENDMENTS TO THE CODE WILL NOT CAUSE THE INTEREST ON THE BONDS TO BE SUBJECT DIRECTLY OR INDIRECTLY TO FEDERAL OR STATE OF MICHIGAN INCOME TAXATION, ADVERSELY AFFECT THE MARKET PRICE OR MARKETABILITY OF THE BONDS, OR OTHERWISE PREVENT THE OWNERS FROM REALIZING THE FULL CURRENT BENEFIT OF THE STATUS OF THE INTEREST THEREON. FURTHER, NO ASSURANCE CAN BE GIVEN THAT ANY SUCH FUTURE LEGISLATION OR ANY ACTIONS OF THE INTERNAL REVENUE SERVICE, INCLUDING, BUT NOT LIMITED TO, SELECTION OF THE BONDS FOR AUDIT EXAMINATION, OR THE COURSE OR RESULT OF ANY EXAMINATION OF THE BONDS, OR OTHER BONDS WHICH PRESENT SIMILAR TAX ISSUES, WILL NOT AFFECT THE MARKET PRICE OF THE BONDS.

Amortizable Bond Premium

For federal income tax purposes, the difference between the initial offering prices to the public (excluding bond houses and brokers) at which the Bonds initially sold at a premium as shown on the cover page hereof (the "Original Premium Bonds") are sold and the amounts payable on the Original Premium Bonds other than stated interest constitutes for the original purchasers of the Original Premium Bonds an amortizable bond premium. Similarly, the amount by which any registered owner's basis of any Bonds exceeds the amount payable thereon other than stated interest constitutes for that registered owner an amortizable bond premium (collectively with the Original Premium Bonds, the "Premium Bonds"). Such amortizable bond premium is not deductible from gross income; however, such

amortizable bond premium is taken into account by certain corporations in determining adjusted current earnings for the purpose of computing the alternative minimum tax, which may also affect liability for the branch profits tax imposed by Section 884 of the Code. The amount of amortizable bond premium allocable to each taxable year is generally determined on the basis of the yield to maturity determined by using the registered owner's basis (for purposes of determining loss on sale or exchange) of the Bonds and compounding at the close of each six-month accrual period. The amount of amortizable bond premium allocable to each taxable year is deducted from the registered owner's adjusted basis of the Premium Bonds to determine taxable gain upon disposition (including sale, redemption or payment on maturity) of such bonds.

Risk of Changes to Tax Law

From time to time legislation is proposed, and there are or may be legislative proposals pending in the Congress of the United States that, if enacted, could alter or amend the federal tax matters referred to above or adversely affect the market value of the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation. Bond Counsel and the Attorney General of the State of Michigan express no opinion regarding any pending or proposed federal tax legislation.

INVESTORS AND ALL REGISTERED OWNERS OF THE BONDS SHOULD CONSULT WITH THEIR TAX ADVISORS AS TO THE TAX CONSEQUENCES OF THEIR ACQUISITION, HOLDING OR DISPOSITION OF THE BONDS AND THE TAX CONSEQUENCES OF THE ORIGINAL DISCOUNT OR PREMIUM THEREON, IF ANY.

FINANCIAL INFORMATION

The financial information on the Michigan Transportation Fund and the State Trunk Line Fund included herein as Appendix I has been excerpted from financial statements prepared by the Michigan Department of Technology, Management and Budget and audited by the State's Auditor General. The notes to such financial statements are not included in Appendix I.

Complete financial statements of all of the State's funds as included in the State of Michigan Comprehensive Annual Financial Report prepared by the State's Department of Technology, Management and Budget are available upon request from the Department of Technology, Management and Budget, Office of Financial Management, State of Michigan, Lansing, Michigan 48909 and may be found by clicking on the "Financial Reports" button at www.michigan.gov/budget.

The State of Michigan Comprehensive Annual Financial Report for the fiscal year ended September 30, 2014, which speaks only as of its date, and which has been filed with the MSRB is incorporated herein by this reference.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

On or prior to the date of delivery of the Bonds, Grant Thornton LLP, will deliver a report attesting to the mathematical accuracy of the computations contained in the schedules prepared by the Underwriters on behalf of the State relating to the adequacy of the cash being deposited in the escrow fund to pay, on the redemption date, the principal of and interest on the Prior Bonds.

BOND RATINGS

Moody's Investors Service and Standard & Poor's Ratings Services have assigned municipal bond ratings of "Aa2" and "AA+", respectively, to the Bonds. No application was made to any other rating agency for the purpose of obtaining an additional rating on the Bonds. An explanation of the significance of a rating may be obtained only from the rating agency furnishing the same. There is no assurance that such ratings will prevail for any given period of time or that they will not be revised downward or withdrawn entirely by any one or more of such rating agencies if, in the judgment of any of them, circumstances so warrant. Any such downward revision or withdrawal of such ratings, or any of them, may have an adverse effect on the market price of the Bonds. A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time.

CONTINUING DISCLOSURE

General

The following is a summary of certain provisions of the Continuing Disclosure Agreement. This summary does not purport to be complete or definitive and is qualified in its entirety by reference to the full terms of the Continuing Disclosure Agreement.

The State will covenant for the benefit of the Bondholders and the Beneficial Owners (as defined below), pursuant to a Continuing Disclosure Agreement (the "Disclosure Agreement") to be provided at Closing to the purchasers of the Bonds, to undertake continuing disclosure with respect to the Bonds. ("Beneficial Owner" means any person or entity which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including any person holding Bonds through nominees, depositories or other intermediaries)). These covenants are made to assist the purchasers of the Bonds and registered brokers, dealers and municipal securities dealers in complying with the requirements of subsection (b)(5) of Rule 15c2-12 (the "Rule") promulgated by the SEC pursuant to the Securities Exchange Act of 1934, as amended.

In the Disclosure Agreement, (i) the State will covenant to provide or cause to be provided each year certain financial information and operating data relating to the State (the "Annual Report") by not later than the date seven months after the close of the State's fiscal year, commencing with the Annual Report for the State's 2015 fiscal year, provided, however, that if the audited financial statements of the State are not available by this date, they will be provided when and if available, and unaudited financial statements in a format similar to the audited financial statements then most recently prepared for the State will be included in the Annual Report, and (ii) the State will covenant to provide or cause to be provided timely notices of the occurrence of certain enumerated events, if material as set forth below (the "Notices of Material Events"). Currently, the State's fiscal year ends on September 30. The Annual Report and the Notices of Material Events will be filed by the State with the Municipal Securities Rule Making Board (the "MSRB") by electronic transmission through the Electronic Municipal Market Access Dataport ("EMMA") of the MSRB.

Notwithstanding any other provision of the Disclosure Agreement, the Disclosure Agreement may be amended, if the State receives an opinion of independent legal counsel to the effect that (i) the amendment is made in connection with a change in circumstances that arises from a change in legal requirements, a change in law, or a change in the types of activities in which the State is engaged; (ii) the Disclosure Agreement, as amended, would have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and (iii) the amendment does not materially impair the interests of the Bondholders or has been approved by a vote of Bondholders or Beneficial Owners (on

whose behalf a Bondholder has not acted) of 51% of the aggregate principal amount of the then Outstanding Bonds.

If the amendment results in a change to the annual financial information required to be included in the Annual Report pursuant to the Disclosure Agreement, the first Annual Report that contains the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of such change on the type of operating data or financial information being provided. Further, if the annual financial information required to be provided in the Annual Report can no longer be generated because the operations to which it related have been materially changed or discontinued, a statement to that effect shall be included in the first Annual Report that does not include such information.

Failure to Comply

In the event of a failure of the State to comply with any provision of the Disclosure Agreement, any Bondholder or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the State to comply with its obligations under the Disclosure Agreement. A failure to comply under the Disclosure Agreement shall not be deemed a default under the Resolution, and the sole remedy under the Disclosure Agreement in the event of any failure of the State to comply with the Disclosure Agreement shall be an action to compel performance. Notwithstanding the foregoing, if the alleged failure of the State to comply with the Disclosure Agreement is the inadequacy of the information disclosed pursuant to the Disclosure Agreement, then the Bondholders and the Beneficial Owners (on whose behalf a Bondholder has not acted with respect to this alleged failure) of not less than a majority of the aggregate principal amount of the then Outstanding Bonds must take the actions described above, before the State shall be compelled to perform with respect to the adequacy of information disclosed pursuant to the Disclosure Agreement.

The Annual Report

The Annual Report will contain or incorporate by reference at least the following items:

(a) audited financial statements of the State, prepared pursuant to accounting and reporting policies conforming in all material respects to generally accepted accounting principles (GAAP) as applicable to governments with such changes as may be required from time to time by State law; and

(b) an update of the financial information and operating data regarding MDOT of the same type as that contained in the Official Statement under the tables under the captions “SOURCES OF CONSTITUTIONALLY RESTRICTED REVENUES OF THE MICHIGAN TRANSPORTATION FUND” and “HISTORICAL AND PROJECTED DEBT SERVICE COVERAGE ON THE BONDS AND THE OUTSTANDING BONDS.”

Any or all of the items listed above may be incorporated by specific reference to other documents that previously have been provided to each of the repositories identified above or filed with the Securities and Exchange Commission. Notwithstanding the foregoing, if the document is an official statement, it need only be available from the MSRB.

Notices of Material Events

The State has covenanted that it will provide or cause to be provided notices of the following events with respect to the Bonds on a timely basis not in excess of ten (10) business days after the occurrence of the event, each such event to be a “Listed Event”:

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security or other material event affecting the tax status of the security;
- (7) Modifications to rights of security holders, if material;
- (8) Bond calls, if material;
- (9) Defeasances;
- (10) Release, substitution, or sale of property securing repayment of the securities, if material;
- (11) Rating changes;
- (12) Tender offers;
- (13) Bankruptcy, insolvency, receivership or similar event of the obligated person;
- (14) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (15) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

Whenever the State obtains knowledge of the occurrence of a Listed Event described in subsection (2), (7), (8), (10), (14) or (15), the State Treasurer on behalf of the State shall as soon as possible determine if such event would be material under applicable federal securities laws. The State covenants that its determination of materiality will be made in conformance with federal securities laws.

If the State Treasurer on behalf of the State determines that (i) a Listed Event described above under (1), (3), (4), (5), (6), (9), (11), (12) or (13) has occurred or (ii) the occurrence of a Listed Event described above under (2), (7), (8), (10), (14) or (15) would be material under applicable federal securities laws, the State shall cause a notice of such occurrence to be filed with the MSRB within ten (10) business days of the occurrence of the Listed Event. In connection with proving a notice of the occurrence of a Listed Event described in subsection (9), the State Treasurer on behalf of the State shall include in the notice explicit disclosure as to whether the Bonds have been escrowed to maturity or escrowed to call, as well as appropriate disclosure of the timing of maturity or call.

Compliance

In the last five years, the State has not failed to comply in all material respects with any previous undertakings with regard to the Rule to provide annual reports or notices of material events pursuant to the Rule. Although not believed by the State to be material, on June 4, 2013, the State filed notice on EMMA that the annual financial information contained in the CAFR for the fiscal year ending September 30, 2009, timely filed by the State on April 21, 2010, did not identify but was also applicable to the following bonds: (i) State of Michigan General Obligation School Loan and Refunding Bonds, Series 2009A (Taxable), (ii) State of Michigan General Obligation Bonds (Environmental Program and Refunding), Series 2009A (Tax-Exempt), (iii) State of Michigan General Obligation School Loan Refunding Bonds, Series 2008A, (iv) State of Michigan General Obligation Bonds (Environmental Program and Refunding), Series 2008A & B, and (v) State of Michigan General Obligation Bonds, Environmental Program, Series 2006A (Tax Exempt). Similarly, although not believed by the State to be material, on August 4, 2015, the State filed notice on EMMA that the annual financial information contained in the CAFR for the fiscal years ending September 30, 2013 and September 30, 2014, timely filed by the State on April 23, 2014, and April 22, 2015, respectively, did not identify but was also applicable to certain of the State of Michigan General Obligation Environmental Programs and Refunding Bonds, Series 2011B (Federally Taxable).

UNDERWRITING

The Bonds are being purchased, subject to certain conditions, by a group of underwriters (collectively the “Underwriters”), represented by J.P. Morgan Securities LLC. The Purchase Contract provides for the Underwriters to purchase all of the Bonds, if any are purchased, at a discount of \$160,585.84 from the original public offering prices producing the yields set forth on the cover of this Official Statement.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the Underwriters and their respective affiliates have, from time to time, performed and may in the future perform, various investment banking services for the State for which they will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the State.

J.P. Morgan Securities LLC (“JPMS”), one of the Underwriters of the Bonds, has entered into negotiated dealer agreements (each, a “Dealer Agreement”) with each of Charles Schwab & Co., Inc. (“CS&Co.”) and LPL Financial LLC (“LPL”) for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement, each of CS&Co. and LPL may purchase Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Bonds that such firm sells.

Morgan Stanley, parent company of Morgan Stanley & Co. LLC, an underwriter of the Bonds, has entered into a retail distribution arrangement with its affiliate Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC will compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Bonds.

Loop Capital Markets LLC (“LCM”), one of the Underwriters of the Bonds, has entered into distribution agreements (each a “Distribution Agreement”) with each of UBS Financial Services Inc. (“UBSFS”) and Deutsche Bank Securities Inc. (“DBS”) for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Distribution Agreement, each of UBSFS and DBS will purchase Bonds from LCM at the original issue prices less a negotiated portion of the selling concession applicable to any Bonds that such firm sells.

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OTHER MATTERS

All estimates included in this Official Statement, whether or not so stated, are not to be construed as representations that the same will be realized. Section and table headings and captions are included for convenience only and should not be construed as modifying the text of this Official Statement.

The execution and delivery of this Official Statement has been duly authorized by or on behalf of the Commission and the Director.

STATE OF MICHIGAN

By /s/ Kirk T. Steudle
Kirk T. Steudle, P.E., Director
Michigan Department of Transportation

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APPENDIX I
EXCERPTED FINANCIAL STATEMENTS
(EXCLUDING NOTES TO FINANCIAL STATEMENTS)

STATE TRUNK LINE FUND
AND
MICHIGAN TRANSPORTATION FUND

The information included herein relates to the years ended September 30, 2010 through 2014. Complete financial statements of all of the State's funds, as included in the State of Michigan Comprehensive Annual Financial Report prepared by the State's Department of Technology, Management and Budget, are available upon request from the Department of Technology, Management and Budget, Office of Financial Management, State of Michigan, Lansing, Michigan 48909.

The State of Michigan Comprehensive Annual Financial Report for the year ended September 30, 2014, which was released December 29, 2014, and speaks only as of its date, is available upon request from the Department of Technology, Management and Budget, Office of Financial Management, State of Michigan, Lansing, Michigan, 48909, may also be found by clicking on the "Financial Reports" button at www.michigan.gov/budget, and has been filed with the MSRB.

**STATE OF MICHIGAN
STATE TRUNK LINE FUND
BALANCE SHEET
SEPTEMBER 30, 2010, 2011, 2012, 2013, and 2014
(In Thousands)⁽¹⁾**

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
ASSETS					
Cash	\$ 201	\$ 712	\$ 308	\$ 80	\$ 91
Equity in common cash	190,476	605,052	606,484	770,891	848,564
Amounts due from other funds	341,676	21,033	14,092	10,620	6,290
Amounts due from component units	1,950	1,196	2,103	2,468	1,777
Amounts due from federal agencies	135,516	162,949	166,949	124,090	140,461
Amounts due from local units	48,651	41,829	40,203	38,151	40,486
Inventories	16,810	12,933	14,959	9,150	7,685
Land contracts outstanding	445	417	295	33	58
Other assets	<u>3,020</u>	<u>2,905</u>	<u>4,087</u>	<u>3,141</u>	<u>3,341</u>
Total Assets	<u>\$ 738,746</u>	<u>\$ 849,026</u>	<u>\$ 849,478</u>	<u>\$ 958,622</u>	<u>\$ 1,048,754</u>
LIABILITIES					
Warrants outstanding	\$ 5,741	\$ 2,411	\$ 1,095	\$ 1,019	\$ 4,252
Accounts payable and other liabilities	173,067	160,393	168,680	164,933	184,772
Amounts due to other funds	1,528	1,775	1,907	3,177	4,008
Unearned revenue ⁽²⁾	<u>3,756</u>	<u>4,808</u>	<u>7,777</u>	<u>4,521</u>	<u>2,596</u>
Total Liabilities	<u>184,092</u>	<u>169,386</u>	<u>179,460</u>	<u>173,650</u>	<u>195,628</u>
DEFERRED INFLOWS OF RESOURCES ⁽²⁾	<u>171</u>	<u>712</u>	<u>795</u>	<u>455</u>	<u>150</u>
FUND BALANCES					
Nonspendable	16,810	12,933	14,971	9,150	7,685
Restricted	<u>537,672</u>	<u>665,995</u>	<u>654,251</u>	<u>775,368</u>	<u>845,291</u>
Total Fund Balances	<u>554,483</u>	<u>678,928</u>	<u>669,223</u>	<u>784,517</u>	<u>852,976</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 738,746</u>	<u>\$ 849,026</u>	<u>\$ 849,478</u>	<u>\$ 958,622</u>	<u>\$ 1,048,754</u>

(1) Totals may not add due to rounding.

(2) Unearned Revenue and Deferred Inflows of Resources were added to the balance sheet for fiscal year 2014 and restated for fiscal years 2010 – 2013 as a result of implementing Governmental Accounting Standards Board (GASB) Statements No. 63 and 65.

Source: State of Michigan Comprehensive Annual Financial Report (SOMCAFR).

**STATE OF MICHIGAN
STATE TRUNK LINE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FISCAL YEARS ENDED SEPTEMBER 30, 2010, 2011, 2012, 2013, and 2014
(In Thousands) ⁽¹⁾**

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
REVENUES					
From taxes	\$ -	\$ -	\$ -	\$ 100,000	\$ -
From federal agencies	934,843	1,001,678	801,264	710,050	818,219
From local agencies	16,115	16,955	15,082	18,550	10,518
From licenses and permits	5,357	16,368	17,553	17,169	16,518
Miscellaneous	49,095	50,549	50,261	49,520	46,268
Total Revenues	<u>1,005,410</u>	<u>1,085,551</u>	<u>884,160</u>	<u>895,289</u>	<u>891,522</u>
EXPENDITURES					
Current: Transportation	591,792	551,339	581,464	603,665	660,071
Capital Outlay	1,079,986	993,572	908,853	775,828	889,858
Capital lease payments	171	344	460	633	791
Total Expenditures	<u>1,671,949</u>	<u>1,545,254</u>	<u>1,490,776</u>	<u>1,380,126</u>	<u>1,550,719</u>
Excess of Revenues Over (Under) Expenditures	<u>(666,539)</u>	<u>(459,704)</u>	<u>(606,616)</u>	<u>(484,837)</u>	<u>(659,198)</u>
OTHER FINANCING SOURCES (USES)					
Capital Lease Acquisitions	-	1,018	-	1,061	475
Proceeds from sale of capital assets	308	53	274	1,075	1,820
Operating transfers in	810,026	801,177	816,560	818,310	950,012
Operating transfers out	<u>(223,854)</u>	<u>(218,098)</u>	<u>(219,923)</u>	<u>(220,315)</u>	<u>(224,650)</u>
Total Other Financing Sources (Uses)	<u>586,480</u>	<u>584,149</u>	<u>596,911</u>	<u>600,131</u>	<u>727,657</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(80,059)	124,446	(9,705)	115,294	68,459
Fund Balances – October 1	<u>634,542</u>	<u>554,483</u>	<u>678,928</u>	<u>669,223</u>	<u>784,517</u>
Fund Balances – September 30	<u>\$ 554,483</u>	<u>\$ 678,928</u>	<u>\$ 669,223</u>	<u>\$ 784,517</u>	<u>\$ 852,976</u>

(1) Totals may not add due to rounding.

Source: State of Michigan Comprehensive Annual Financial Report (SOMCAFR).

**STATE OF MICHIGAN
MICHIGAN TRANSPORTATION FUND
BALANCE SHEET
SEPTEMBER 30, 2010, 2011, 2012, 2013, and 2014
(In Thousands) ⁽¹⁾**

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
ASSETS					
Equity in common cash	\$ 133,747	\$ 129,721	\$ 118,018	\$ 109,071	\$ 107,270
Taxes, interest, and penalties receivable	103,958	108,383	97,266	96,485	97,817
Amounts due from other funds	-	-	-	-	-
Other assets	<u>12</u>	<u>15</u>	<u>4</u>	<u>17</u>	<u>4</u>
Total Assets	<u>\$ 237,716</u>	<u>\$ 238,119</u>	<u>\$ 215,288</u>	<u>\$ 205,572</u>	<u>\$ 205,092</u>
LIABILITIES					
Warrants outstanding	\$ 301	\$ 589	\$ 926	\$ 666	\$ 3,854
Accounts payable and other liabilities	196,361	195,801	187,490	180,221	182,133
Amounts due to other funds	28,261	27,010	18,096	13,637	8,078
Unearned revenue ⁽²⁾	<u>9,500</u>	<u>12,100</u>	<u>6,378</u>	<u>8,500</u>	<u>-</u>
Total Liabilities	<u>234,423</u>	<u>235,500</u>	<u>212,890</u>	<u>203,024</u>	<u>194,065</u>
DEFERRED INFLOWS OF RESOURCES ⁽²⁾	<u>3,293</u>	<u>2,619</u>	<u>2,398</u>	<u>2,547</u>	<u>11,027</u>
FUND BALANCES					
Restricted	-	-	-	-	-
Total Fund Balances	-	-	-	-	-
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 237,716</u>	<u>\$ 238,119</u>	<u>\$ 215,288</u>	<u>\$ 205,572</u>	<u>\$ 205,092</u>

(1) Totals may not add due to rounding.

(2) Unearned Revenue and Deferred Inflows of Resources were added to the balance sheet for fiscal year 2014 and restated for fiscal years 2010-2013 as a result of implementing Governmental Accounting Standards Board (GASB) Statements No. 63 and 65.

Source: State of Michigan Comprehensive Annual Financial Report (SOMCAFR).

STATE OF MICHIGAN
MICHIGAN TRANSPORTATION FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FISCAL YEARS ENDED SEPTEMBER 30, 2010, 2011, 2012, 2013, and 2014
(In Thousands) ⁽¹⁾

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
REVENUES					
Taxes	\$ 1,804,172	\$ 1,817,337	\$ 1,821,994	\$ 1,857,467	\$ 1,899,391
From licenses and permits	30,366	30,691	31,397	32,346	33,658
Miscellaneous	4,484	3,780	4,240	4,387	4,379
Total Revenues	<u>1,839,023</u>	<u>1,851,808</u>	<u>1,857,630</u>	<u>1,894,200</u>	<u>1,937,427</u>
EXPENDITURES					
Current:					
Transportation	<u>894,612</u>	<u>901,921</u>	<u>906,540</u>	<u>922,909</u>	<u>945,334</u>
Total Expenditures	<u>894,612</u>	<u>901,921</u>	<u>906,540</u>	<u>922,909</u>	<u>945,334</u>
Excess of Revenues over (under) Expenditures	<u>944,410</u>	<u>949,886</u>	<u>951,090</u>	<u>971,290</u>	<u>992,093</u>
OTHER FINANCING SOURCES (USES)					
Transfers from other funds	1,155	302	530	479	477
Transfers to other funds	<u>(945,566)</u>	<u>(950,188)</u>	<u>(951,620)</u>	<u>(971,769)</u>	<u>(992,570)</u>
Total Other Financing Sources (Uses)	<u>(944,410)</u>	<u>(949,886)</u>	<u>(951,090)</u>	<u>(971,290)</u>	<u>(992,093)</u>
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	-	-	-	-	-
Fund Balances - October 1	-	-	-	-	-
Fund Balances - September 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(1) Totals may not add due to rounding.

Source: State of Michigan Comprehensive Annual Financial Report (SOMCAFR).

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APPENDIX II

FORM OF OPINION OF THE ATTORNEY GENERAL OF THE STATE OF MICHIGAN

October 27, 2015

State Transportation Commission

Kirk T. Steudle, P.E., Director
Michigan Department of Transportation

Nick A. Khouri
State Treasurer

In my capacity as Attorney General of the State of Michigan, I have caused to be examined a certified transcript of proceedings and other documents, including, in particular, the following documents, relating to the issuance by the State of Michigan (the "State") of bonds designated STATE OF MICHIGAN STATE TRUNK LINE FUND REFUNDING BONDS, SERIES 2015 in the aggregate principal sum of \$54,055,000 (the "Bonds"):

- (1) Const 1963, art 9, §9 and 1951 PA 51, as amended (the "Act"), pursuant to which the Bonds are issued;
- (2) certified copies of the resolution adopted by the State Transportation Commission (the "Commission") and the Director of the Michigan Department of Transportation (the "Director") on May 21, 2015 (the "Resolution") authorizing the issuance of the Bonds;
- (3) a Non-arbitrage and Tax Compliance Certificate of the State; and
- (4) one Bond, as executed, or a specimen thereof.

The Bonds are being issued to pay a portion of the costs of certain transportation projects and to pay the cost of issuing the Bonds.

Based on the foregoing, I am of the opinion that, under existing law as presently interpreted:

1. The Bonds are valid and binding obligations of the State enforceable in accordance with their terms, secured by and payable solely from the funds irrevocably pledged by law which are restricted as to use by Const 1963, art 9, §9 and deposited or to be deposited in the State Trunk Line Fund created pursuant to the Act.
2. Payment of the principal of, premium, if any, and interest on the Bonds, certain outstanding bond and any additional bonds or other obligations similarly secured, issued within the limitations provided by Const 1963, art 9, §9 and the Act, constitutes a first lien on and first priority use of the funds so restricted and deposited or to be deposited to the credit of the State Trunk Line Fund.
3. Interest on the Bonds (i) is excluded from gross income for federal income tax purposes and (ii) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. However, for the purpose of computing the alternative minimum tax

imposed on certain corporations (as defined for federal income tax purposes), interest on the Bonds is taken into account in determining adjusted current earnings. This opinion is subject to the condition that the State comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The State has covenanted to comply with each such requirement to the extent permitted by law. Failure to comply with certain of those requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. I express no opinion regarding other federal tax consequences arising with respect to the Bonds and the interest on the Bonds.

4. The Bonds and the interest on the Bonds are exempt from all taxation by the State or any taxing authority within the State except estate taxes and taxes on gains realized from the sale, payment, or other disposition thereof.

Enforceability of the Bonds and the Resolution may be subject to and limited by bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance, or other laws and equitable principles, including equitable subordination, affecting creditors' rights generally heretofore or hereafter enacted to the extent constitutionally applicable and their enforcement may be subject to the exercise of judicial discretion.

Sincerely yours,

BILL SCHUETTE
Attorney General

Assistant Attorney General

APPENDIX III

FORM OF BOND COUNSEL APPROVING OPINION

MILLER, CANFIELD, PADDOCK and STONE, P.L.C.

October 27, 2015

State of Michigan
Lansing, Michigan

We have acted as bond counsel to the State of Michigan (the “*State*”) in connection with the issuance by the State of bonds in the aggregate principal amount of \$54,055,000, designated STATE OF MICHIGAN STATE TRUNK LINE FUND REFUNDING BONDS, SERIES 2015 (the “*Bonds*”). The Bonds are being issued for the purposes of providing funds to refund certain outstanding State of Michigan State Trunk Line Fund Bonds and to pay costs incidental to the issuance of the Bonds and the refunding.

The Bonds are issued in fully registered form in denominations of \$5,000 or integral multiples thereof, are dated October 27, 2015, and mature in the years and amounts, bear interest at the rates, and are payable at the times, all as determined in accordance with the Resolution (as defined below).

The Bonds are issued pursuant to Act No. 51, Public Acts of Michigan, 1951, as amended (“*Act 51*”) and resolutions and orders (collectively the “*Resolution*”) of the State Transportation Commission and the Director of the Michigan Department of Transportation, respectively. The Bonds are of equal standing and priority of lien as to the moneys in the State Trunk Line Fund with the outstanding State Trunk Line Fund Bonds of the State described in the text of the Bonds (the “*Outstanding Bonds*”).

The State has the right to issue additional bonds of equal standing and priority of lien with the Bonds and the Outstanding Bonds as to the constitutionally restricted moneys deposited or to be deposited in the State Trunk Line Fund, subject to the limitations of Section 9 of Article IX of the Michigan Constitution of 1963, as amended (the “*State Constitution*”), and Act 51.

We have examined the State Constitution, statutes of the State and a certified transcript of proceedings for the issuance of the Bonds by the State. We also have examined one specimen Bond only.

Based on such examinations, we are of the opinion, as of the date hereof and under existing law as presently interpreted, as follows:

1. The Bonds are valid and legally binding obligations of the State in accordance with their tenor, secured by and payable solely from funds irrevocably pledged by law which are restricted as to use by Section 9 of Article IX of the State Constitution and deposited or to be deposited in the State Trunk Line Fund, a special fund in the State Treasury wherein a portion of certain gasoline and other motor vehicle taxes, all as imposed by law, are required to be set aside.

2. Payment of the principal of, premium, if any, and interest on the Bonds, the Outstanding Bonds and any additional bonds or other obligations similarly secured, issued within the limitations provided by Section 9 of Article IX of the Michigan Constitution of 1963, as amended, and by Act 51, constitutes a first lien on and first priority use of the funds so restricted and deposited or to be deposited to the credit of the State Trunk Line Fund as herein described.

3. The interest on the Bonds (a) is excluded from gross income for federal income tax purposes and (b) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. It should be noted, however, that with respect to certain corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on such corporations. This opinion is subject to the condition that the State comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be (or continue to be) excluded from gross income for federal income tax purposes. These requirements include rebating certain earnings to the United States. Failure to comply with such requirements could cause the interest on the Bonds to be included in gross income retroactive to the date of issuance of the Bonds. The State has covenanted in the Resolution to comply, to the extent permitted by law, with all such requirements. We express no opinion regarding other federal tax consequences arising with respect to the Bonds and the interest thereon.

4. The Bonds and the interest thereon are exempt from all taxation provided by the laws of the State, except for estate taxes and taxes on gains realized on the sale, payment or other disposition thereof.

Enforceability of the Bonds and the Resolution may be subject to and limited by bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors' rights generally, now existing or enacted in the future, to the extent constitutionally applicable, and by general principles of equity, including those relating to equitable subordination, and the exercise of judicial discretion in appropriate cases.

Respectfully Submitted,



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