

**NEW ISSUE
BOOK ENTRY ONLY**

Ratings[‡]: *Moody's: Aa2
S&P: AA+*

In the opinion of Dykema Gossett PLLC, Bond Counsel, and the Attorney General of the State of Michigan, (a) subject to compliance with certain covenants, under existing law, interest on the Bonds (as defined herein) is excluded from gross income for federal income tax purposes to the extent described herein, (b) interest on the Bonds is not treated as an item of tax preference for purposes of the federal alternative minimum tax, and (c) the Bonds and the interest thereon are exempt from all taxation by the State of Michigan or any political subdivision thereof, except estate taxes and taxes on gains realized from the sale, payment or other disposition thereof. See "TAX MATTERS" herein.



**\$103,485,000
STATE OF MICHIGAN
STATE TRUNK LINE FUND REFUNDING BONDS, SERIES 2020A**

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 November 15, 2020 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 refund all outstanding Prior 2009 Bonds (as defined herein) and to pay the costs of issuance of the Bonds. See "PLAN OF FINANCE – 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 (the "State"), its agencies, instrumentalities, or political subdivisions. See "SECURITY FOR THE BONDS."

Maturities, Principal Amounts, Interest Rates, Yields, and CUSIPs[†]

| Maturity (November 15) | Principal Amount | Interest Rate | Yield | CUSIP[†] |
|-----------------------------------|-----------------------------|--------------------------|--------------|--------------------------|
| 2020 | \$32,490,000 | 5.000% | 1.260% | 594695X78 |
| 2021 | 34,610,000 | 5.000 | 1.290 | 594695X86 |
| 2022 | 10,515,000 | 5.000 | 1.310 | 594695X94 |
| 2023 | 11,060,000 | 5.000 | 1.330 | 594695Y28 |
| 2024 | 11,620,000 | 5.000 | 1.340 | 594695Y36 |
| 2025 | 1,555,000 | 5.000 | 1.350 | 594695Y44 |
| 2026 | 1,635,000 | 5.000 | 1.400 | 594695Y51 |

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, and of Dykema Gossett PLLC, Lansing, Michigan, Bond Counsel. Certain legal matters will be passed upon for the Underwriters by their co-counsel, Hawkins Delafield & Wood LLP, Ann Arbor, Michigan, and Lewis & Munday, A Professional Corporation, Detroit, Michigan. PFM Financial Advisors LLC, 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 April 14, 2020 through DTC in New York, New York.

Citigroup

BofA Securities

Loop Capital Markets

Siebert Williams Shank & Co., LLC

Dated: April 7, 2020

[‡] See "BOND RATINGS" herein.

[†] CUSIP is a registered trademark of the American Bankers Association (the "ABA"). CUSIP data is provided by CUSIP Global Services, which is managed on behalf of the ABA by S&P Global Market Intelligence, a part of S&P Global Inc. The CUSIP numbers listed above are being provided solely for the convenience of the holders of Bonds only at the time of issuance of the Bonds and the State, the Transfer Agent, and the Underwriters do not make any representation with respect to such CUSIP numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP numbers are subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, the procurement of secondary market portfolio insurance or other similar enhancement by investors that may be applicable to all or a portion of the Bonds.

STATE OF MICHIGAN

Gretchen Whitmer, *Governor*
Rachael Eubanks, *State Treasurer*

State Transportation Commission

Todd Wyett, *Chairperson*
Michael D. Hayes, *Vice Chairperson*
Stephen F. Adamini, *Member*
Chris J. Yatooma, *Member*
Helen Zeerip, *Member*

Michigan Department of Transportation Staff

Paul C. Ajegba, *P.E., Director*
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Financial Advisor
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The Attorney General of the State of Michigan

Bond Counsel
Dykema Gossett PLLC

Co-Underwriters' Counsel
Hawkins Delafield & Wood LLP
and
Lewis & Munday, A Professional Corporation

No dealer, broker, salesperson or other person has been authorized by the State, including on the State's behalf, the Michigan Department of Transportation, its Director, the State Transportation Commission and the Department of Treasury, 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 State as described above 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 since the date hereof.

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

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 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 that its plans and objectives will be achieved. All forward-looking statements are expressly qualified by the cautionary statements contained in this paragraph. The State does not undertake any duty to update any forward-looking statements.

References to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for any purpose, including for purposes of Rule 15c2-12 promulgated by the SEC. There can be no assurance that such hyperlinks will continue to be operational, or that the referenced information will continue to be available at such addresses.

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OFFICIAL STATEMENT

\$103,485,000

STATE OF MICHIGAN

STATE TRUNK LINE FUND REFUNDING BONDS, SERIES 2020A

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 \$103,485,000 State of Michigan State Trunk Line Fund Refunding Bonds, Series 2020A (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 January 30, 2020 (the “Resolution”).

The proceeds from the sale of the Bonds, together with investment earnings on such proceeds and other available moneys, will be used to (i) legally defease and refund the State of Michigan State Trunk Line Fund and Refunding Bonds, Series 2009, maturing November 1, 2020 through November 1, 2026 (the “Prior 2009 Bonds”), outstanding in the principal amount of \$110,395,000, and (ii) pay the costs of issuance of the Bonds. The issuance of the Bonds is a component of the plan of finance authorized under the Resolution. See “PLAN OF FINANCE.”

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 the date hereof, the principal amount of bonds payable from the State Trunk Line Fund, including the Bonds and Outstanding Bonds, but excluding the Prior 2009 Bonds, is anticipated to be \$359,100,000. For more information on bonds issued under Act 51, including those payable from the State Trunk Line Fund, among others, 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) 241-0715.

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 her pleasure.

The members of the Commission are listed on the inside cover of this Official Statement. There is currently one vacancy on the Commission.

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 five bureaus responsible for various support or operating functions: (1) Transportation Planning, (2) Finance and Administration, (3) Highway Development, (4) Field Services, and (5) Bureau of Bridges and Structures. Several offices support public transportation programs including the Office of Passenger Transportation, Office of Rail, the Office of Aeronautics, Office of Operations Administrative Services, and Office of Business Development. As of October 1, 2019, MDOT had approximately 2,818 appropriated State classified civil service positions.

State Highway Program

As of July 1, 2019, Michigan's total highway network consisted of 121,322 miles of highways, roads and streets of which 9,664 miles were under MDOT jurisdiction, 90,286 miles were under the jurisdiction of the county road commissions or departments, and 21,372 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 of 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 System 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 Rail Grade Crossing Account and Grade Crossing Surface Account. Operation and maintenance expenditures for the State Trunk Line System were approximately \$342 million in the fiscal year ended September 30, 2019. Operation and maintenance includes 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 bonds secured by the State Trunk Line Fund, 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, 2019, MDOT expended approximately \$393.3 million of State Trunk Line Fund moneys and \$0.2 million of General Fund moneys for capital improvements to the State Trunk Line System. During fiscal year ended September 30, 2019, the federal government contributed \$822.7 million to capital improvement projects to the State Trunk Line System.

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 after payments of debt service on the Bonds and the Outstanding Bonds and the State's share of debt service on any Additional Bonds.

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 that 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 constitutionally restricted revenues, including a portion of the motor vehicle fuel taxes, vehicle registration taxes, and interest and miscellaneous fees, and statutorily derived revenues that are not constitutionally restricted, including income tax redirection and a portion of the excise tax and related fees on recreational marijuana deposited into the Michigan Transportation Fund established pursuant to Act 51 (the "MTF"). See "SOURCES OF CONSTITUTIONALLY RESTRICTED REVENUES OF THE MICHIGAN TRANSPORTATION FUND," "SUMMARY OF CERTAIN PROVISIONS OF THE MICHIGAN CONSTITUTION, ACT 51, AND THE RESOLUTION," "- Michigan Road Funding Package Enacted in 2015," and "- Recreational Marijuana Excise Tax and Fees."

MDOT's comprehensive transportation programs are funded from the Comprehensive Transportation Fund established pursuant to Act 51, 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 MTF. See "SUMMARY OF CERTAIN PROVISIONS OF THE MICHIGAN CONSTITUTION, ACT 51, AND THE RESOLUTION."

MDOT was awarded \$411 million in competitive federal grants for its Accelerated Rail Program between fiscal year 2009 and fiscal year 2016. 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. To date, MDOT has placed the new locomotives in all Michigan services. There will be 88 coaches, in total, for the Midwest states. Delivery will begin in 2020 and take two years for completion. 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 was selected in August 2019 to be awarded a \$23 million federal State of Good Repair Program grant. During fiscal year 2020 through fiscal year 2023, the federal grant will be used by MDOT to improve rail, crossties, and track surfaces between Battle Creek and Dearborn on the Michigan-owned segment of the Chicago-to-Detroit/Pontiac corridor. The project will help lead to improved rail safety and increased passenger train speeds for the Amtrak Midwest Wolverine Service, which carries nearly 500,000 annual passengers. Additionally, two railroad bridges in Jackson will be replaced with new spans and expand non-motorized paths under the structures to improve pedestrian safety.

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

Michigan Road Funding Package Enacted in 2015

On November 10, 2015, the State enacted multiple statutes that increased transportation funding to provide for additional revenue into the MTF starting in 2017. As described below, these statutes included increases in fuel taxes and vehicle registration fees, which are constitutionally restricted revenues, and redirected some income taxes to the MTF, which are statutorily derived revenues that are not constitutionally restricted.

The total amount of new revenue, estimated at \$1.2 billion on an annual basis when fully implemented, is the largest State investment in transportation in Michigan history.

Commencing January 2017, \$600 million was dedicated on an annual basis for transportation purposes in Michigan. Approximately one-third flows to MDOT and two-thirds to counties, cities, and villages in Michigan. Such amount is funded by approximately \$400 million generated from an increase in fuel taxes for gasoline and diesel to 26.3 cents per gallon (which tax is also indexed to inflation after 2021 (as calculated using the Consumer Price Index)), and approximately \$200 million generated from a 20% increase in vehicle registration fees.

Additionally, such legislation provides for the redirection of income tax collections to be deposited into the MTF for allocation among MDOT, counties, cities, and villages for state and local highway programs in the amounts of \$150 million in 2019, \$325 million in 2020, and \$600 million in 2021 and subsequent years. See “SECURITY FOR THE BONDS - Sources of Payment for the Bonds - *Michigan Transportation Fund*” for information about the MTF.

Recreational Marijuana Excise Tax and Fees

On November 6, 2018, the people of the State voted to approve the Michigan Regulation and Taxation of Marihuana Act, Initiated Law 1 of 2018 (the “MRTMA”), which legalized possession and use of marijuana by adults 21 years of age and older and provided an additional source of revenue to the MTF. The MRTMA imposed a 10% excise tax on all retail sales of marijuana that, along with all marijuana establishment licensing fees collected, flows to the Marihuana Regulation Fund in the Michigan Department of Treasury. After money in the Marihuana Regulation Fund is expended for administration and enforcement of the MRTMA, 35% of the unexpended balance is deposited into the MTF to be used for the repair and maintenance of roads and bridges. The Senate Fiscal Agency estimated in November 2018 that the MTF will receive \$32.1 million in revenue from recreational marijuana excise tax and fees in fiscal year 2021, \$50.6 million in fiscal year 2022, and \$62.8 million in fiscal year 2023.

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 November 15, 2020, and semiannually each May 15 and November 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 FINANCE

Proceeds from the sale of the Bonds will be used to legally defease and refund the following maturities of the Prior 2009 Bonds and pay costs of issuance of the Bonds, including costs incidental to the refunding of the Prior 2009 Bonds.

| <u>Maturity</u> <u>(November 1)</u> | <u>Prior 2009 Bonds</u> <u>Principal Amount</u> | <u>Interest Rate</u> |
|--|--|-----------------------------|
| 2020 | \$33,720,000 | 5.000% |
| 2021 | 35,445,000 | 5.000 |
| 2022 | 11,390,000 | 5.000 |
| 2023 | 11,980,000 | 5.000 |
| 2024 | 12,090,000 | 5.000 |
| 2024 | 500,000 | 4.375 |
| 2025 | 2,425,000 | 5.000 |
| 2025 | 145,000 | 4.375 |
| 2026 | 1,385,000 | 5.000 |
| 2026 | <u>1,315,000</u> | 4.500 |
| | <u>\$110,395,000</u> | |

The Prior 2009 Bonds are being refunded to produce debt service savings.

Upon the issuance of the Bonds, a 30-day notice of redemption will be provided to the holders of the Prior 2009 Bonds. As authorized by the resolution authorizing the issuance of the Prior 2009 Bonds, pursuant to the terms of an Escrow Deposit Agreement (the “Escrow Agreement”) with the U.S. Bank National Association (the “Escrow Trustee”), the refunding of the Prior 2009 Bonds will be effected by MDOT depositing with the Escrow Trustee, cash and non-callable direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America or other obligations the principal and interest on which are fully secured by the foregoing, in an amount sufficient without reinvestment to pay when due, interest on and principal of the Prior 2009 Bonds to and including the redemption date of May 14, 2020. Funds deposited under the Escrow Agreement will be used solely for the payment of the principal of and interest on the Prior 2009 Bonds, subject only to the payment to MDOT in accordance with the Escrow Agreement of any cash not required for such purpose.

On or prior to the date of delivery of the Bonds, The Arbitrage Group, Inc. will deliver a report attesting to the mathematical accuracy of the computations contained in the schedules prepared by the Financial Advisor 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 2009 Bonds.

Upon the issuance of the Bonds and verification of the sufficiency of the deposits made pursuant to the Escrow Agreement, the Prior 2009 Bonds will not be Outstanding Bonds (as defined herein) and 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.

ESTIMATED SOURCES AND USES OF FUNDS

The following table sets forth the estimated sources and uses of the funds related to Bonds (with all amounts rounded to the nearest dollar).

| Sources | |
|------------------------------------|-----------------------------|
| Par Amount | \$103,485,000 |
| Original Issue Premium | 7,674,815 |
| Other Available Funds | <u>2,754,572</u> |
| Total Sources | <u>\$113,914,387</u> |
| | |
| Uses | |
| Deposit to the Escrow Deposit Fund | \$113,341,242 |
| Costs of Issuance ⁽¹⁾ | <u>573,145</u> |
| Total Uses | <u>\$113,914,387</u> |

⁽¹⁾ To be used, together with earnings thereon, for costs, including underwriters' discount, related to the issuance of the Bonds and the refunding of the Prior 2009 Bonds.

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 certain constitutionally restricted revenues deposited in the State Trunk Line Fund, including 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 Michigan 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."

Michigan Transportation Fund

Act 51 provides that all proceeds of specific taxes on motor vehicle fuels and all motor vehicle registration taxes be deposited in 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 Transportation Economic Development Fund, Rail Grade Crossing Account, and Grade Crossing Surface 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.

State Trunk Line Fund

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.

Potential Financial Impact of Coronavirus

The novel coronavirus (“COVID-19”) outbreak could have an adverse impact on the State’s financial condition and operating results. On March 10, 2020, the Michigan Department of Health and Human Services identified the first two presumptive-positive cases of COVID-19 in Michigan, and the Governor issued Executive Order 2020-4, declaring a state of emergency across the State. On March 23, 2020, the Governor issued Executive Order No. 2020-21, a temporary requirement to suspend activities that are not necessary to sustain or protect life (“E.O. 2020-21”). On April 1, 2020, the Governor issued Executive Order No. 2020-33, declaring a state of emergency and state of disaster across the State, to last until such emergency and disaster conditions no longer exist and appropriate programs have been implemented to recover from the effects of the emergency and disaster. On April 9, 2020, the Governor issued Executive Order No. 2020-42, which replaces E.O. 2020-21 and extends the requirement to suspend activities that are not necessary to sustain or protect life through April 30,

2020. Copies of these and other related executive orders and directives of the Governor, and other releases regarding COVID-19 in the State, are available at www.michigan.gov/coronavirus. The duration, severity and degree of the impact of COVID-19 is extremely difficult to predict at this time due to the dynamic nature of the COVID-19 outbreak.

As described herein, the 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. The revenues of the State Trunk Line Fund include constitutionally restricted revenues, including a portion of the motor vehicle fuel taxes, vehicle registration taxes, and interest and miscellaneous fees, and statutorily derived revenues that are not constitutionally restricted, including income tax redirection and a portion of the excise tax and related fees on recreational marijuana deposited into the MTF.

At this time, the State cannot predict the extent to which collections of any of the revenues to be deposited into the State Trunk Line Fund may be reduced due to the COVID-19 outbreak.

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 Purposes 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 partly 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 a portion 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 Prior 2009 Bonds will be Refunded Bonds upon the issuance of the Bonds and the completion of the verified escrow deposits.

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. 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. On January 30, 2020, the Director and the Commission adopted a resolution authorizing the issuance of Additional Bonds payable from the State Trunk Line Fund, in a maximum principal amount not to exceed \$3,500,000,000, for funding the Rebuilding Michigan transportation program. It is expected that any bonds issued for such program will be issued, from time to time, over the next four years, subject to MDOT needs and market conditions.

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, and may in the future issue, Grant Anticipation Notes and/or Grant Anticipation Bonds (collectively, the “Grant Anticipation Obligations”) payable from federal grant receipts and non-federal matching requirements. Grant Anticipation Obligations are permitted by applicable law to be payable from the sources of payment described above under “SECURITY FOR THE BONDS.”

Any bonds payable from money deposited in the Comprehensive Transportation Fund 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 on 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. As described herein, certain revenues from the income tax redirection and excise tax and related fees on recreational marijuana are deposited into the MTF, but are not constitutionally restricted. 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, 2015 through September 30, 2019, and projected for the fiscal year ending September 30, 2020, 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 2015-2020
(in millions)**

| <u>Fiscal Year Ended September 30</u> | <u>Motor Fuel Taxes</u> | <u>Registration Taxes</u> | <u>Misc. Fees</u> | <u>Total Revenues⁽¹⁾</u> | <u>Portion Transferred to State Trunk Line Fund by Formula</u> |
|---|-----------------------------|-------------------------------|-----------------------|---|--|
| 2015 | \$1,003.8 | \$978.1 | \$38.8 ⁽²⁾ | \$2,020.7 | \$649.8 |
| 2016 | 1,011.0 | 1,018.3 | 40.6 ⁽²⁾ | 2,069.9 | 663.9 |
| 2017 | 1,359.5 | 1,210.0 | 44.8 ⁽²⁾ | 2,614.3 | 849.2 |
| 2018 | 1,467.9 | 1,294.9 | 42.0 ⁽²⁾ | 2,804.8 | 915.6 |
| 2019 | 1,460.1 | 1,354.2 | 41.3 ⁽²⁾ | 2,855.6 | 931.8 ⁽⁴⁾ |
| 2020 ⁽³⁾ | 1,461.4 | 1,388.0 | 41.5 ⁽²⁾ | 2,890.9 | 947.9 ⁽⁵⁾ |

(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, other revenues, income tax redirection, and marijuana revenue.

(2) The expeditious treatment fee and the registration fees deposited into the MTF were redirected in fiscal years 2015 through 2019 and will be redirected in fiscal year 2020 to the transportation administration collection fund in accordance with Sections 806 and 809 of Act 300, Public Acts of Michigan, 1949, as amended (“Act 300”) (MCL 257.806 and MCL 257.809), to pay costs of collection of these fees and taxes.

(3) Projected. Based on the January 2020 Consensus Revenue Estimating Conference. There can be no assurance that actual revenues will be generated in the amounts shown.

(4) Excludes income tax redirection.

(5) Excludes income tax redirection and marijuana revenue.

Source: State Budget Office, MDOT - annual financial reports and data, Michigan Department of Treasury, and Office of Revenue and Tax Analysis.

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

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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 the 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 118 licensed suppliers in the State as of September 30, 2019. 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 January 2017, the Motor Fuel Tax for gasoline and diesel is 26.3 cents per gallon (which is indexed to inflation after 2021).

Effective April 1, 2001, Act 403, Public Acts of Michigan, 2000, as amended (“Act 403”), repealed and replaced Act 150, Public Acts of Michigan, 1927. Act 403 implemented a dyed diesel fuel program, clarified the manner of imposition and collection of motor fuel taxes, and imposed additional licensing and reporting requirements.

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Motor Fuel Tax revenues for the fiscal years ended September 30, 2015 through September 30, 2019, and projected for the fiscal year ending September 30, 2020, are set forth below.

Table 2

**Motor Fuel Tax Revenues
Fiscal Years 2015-2020
(in millions)**

| <u>Fiscal Year Ended September 30</u> | <u>Gasoline Tax Revenue</u> | <u>Diesel Tax Revenue</u> | <u>Alternative Fuels Tax Revenue⁽¹⁾</u> | <u>Total Motor Fuel Tax Revenues⁽²⁾</u> |
|---|---------------------------------|-------------------------------|--|--|
| 2015 | \$866.6 | \$136.7 | \$0.5 | \$1,003.8 |
| 2016 | 873.0 | 137.6 | 0.4 | 1,011.0 |
| 2017 | 1,142.6 | 215.2 | 1.7 | 1,359.5 |
| 2018 | 1,219.9 | 245.8 | 2.2 | 1,467.9 |
| 2019 | 1,214.7 | 243.2 | 2.1 | 1,460.1 |
| 2020 ⁽³⁾ | 1,213.0 | 246.0 | 2.4 | 1,461.4 |

⁽¹⁾ Per Section 151 of Act 403 (MCL 207.1151), "Alternative Fuel" means a gas, liquid, or other fuel that, with or without adjustment or manipulation, is capable of being used for the generation of power to propel a motor vehicle, including, but not limited to, natural gas, compressed natural gas, liquefied natural gas, liquefied petroleum gas, hydrogen, hydrogen compressed natural gas or hythane. Alternative fuel does not include motor fuel, electricity, leaded racing fuel or an excluded liquid. For fiscal years 2015 and 2016, this table did not include LPG fuel. Starting in fiscal year 2017, LPG is included in the column presenting alternative fuels.

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

⁽³⁾ Projected. Based on the January 2020 Consensus Revenue Estimating Conference. There can be no assurance that actual revenues will be generated in the amounts shown.

Source: State Budget Office, MDOT - annual financial reports and data, Michigan Department of Treasury, and Office of Revenue and Tax Analysis.

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, 2015 through September 30, 2019, and projected for the fiscal year ending September 30, 2020, are set forth below.

Table 3

**Motor Vehicle Fuel Consumption⁽¹⁾
Fiscal Years 2015-2020
(millions of gallons taxed)**

| Fiscal Year Ended September 30 | Gasoline ⁽²⁾ | % Annual Increase/ (Decrease) | Diesel Fuel ⁽³⁾ | % Annual Increase/ (Decrease) | Alternative Fuels ⁽⁴⁾ | Total Fuels ⁽⁵⁾ | % Annual Increase/ (Decrease) | Diesel Fuel as % of Total Fuel Consumed |
|--------------------------------|-------------------------|-------------------------------|----------------------------|-------------------------------|----------------------------------|----------------------------|-------------------------------|---|
| 2015 | 4,520.4 | 2.1 | 882.3 | 2.5 | N/A | 5,402.8 | 2.1 | 16.3 |
| 2016 | 4,683.2 | 3.6 | 903.1 | 2.4 | N/A | 5,586.3 | 3.4 | 16.2 |
| 2017 | 4,691.9 | 0.2 | 897.3 | (0.6) | 7.3 | 5,596.5 | 0.1 | 16.0 |
| 2018 | 4,705.1 | 0.3 | 962.4 | 7.3 | 9.9 | 5,677.3 | 1.4 | 17.0 |
| 2019 | 4,698.5 | (0.1) | 990.8 | 3.0 | 9.3 | 5,698.6 | 0.4 | 17.4 |
| 2020 ⁽⁶⁾ | 4,691.8 | (0.1) | 1,002.2 | 1.1 | 10.4 | 5,704.4 | 0.1 | 17.6 |

⁽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 1 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⁾ Per Section 151 of Act 403 (MCL 207.1151), "Alternative Fuel" means a gas, liquid, or other fuel that, with or without adjustment or manipulation, is capable of being used for the generation of power to propel a motor vehicle, including, but not limited to, natural gas, compressed natural gas, liquefied natural gas, liquefied petroleum gas, hydrogen, hydrogen compressed natural gas or hythane. Alternative fuel does not include motor fuel, electricity, leaded racing fuel or an excluded liquid. For fiscal years 2015 and 2016, this table did not include LPG fuel. Starting in fiscal year 2017, LPG is included in the column presenting alternative fuels.

⁽⁵⁾ Line items may not add to total due to rounding.

⁽⁶⁾ Projected. Based on the January 2020 Consensus Revenue Estimating Conference. There can be no assurance that actual consumption will occur in the amounts shown.

Sources: MDOT and Michigan Department of Treasury, Motor Fuel Consumption Reports.

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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. In January 2017, there was a 20% increase in Registration Taxes. 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, 2015 through September 30, 2019, and as projected for the fiscal year ending September 30, 2020, are set forth below.

Table 4

**Registered Motor Vehicles
Fiscal Years 2015-2020
(in thousands)**

| Fiscal Year Ended September 30 | Passenger Vehicles | Commercial Vehicles ⁽¹⁾ | Other Vehicles | Total Vehicles ⁽²⁾ | % Annual Increase/ (Decrease) |
|--------------------------------------|-----------------------|---------------------------------------|----------------|----------------------------------|-------------------------------------|
| 2015 | 7,513 | 460 | 425 | 8,398 | 1.0 |
| 2016 | 7,634 | 460 | 438 | 8,531 | 1.6 |
| 2017 | 7,729 | 468 | 442 | 8,639 | 1.3 |
| 2018 | 7,685 | 469 | 439 | 8,593 | (0.5) |
| 2019 | 8,233 | 564 | 430 | 9,227 | 7.4 |
| 2020 ⁽³⁾ | 8,820 | 678 | 421 | 9,919 | 7.5 |

⁽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 January 2020 Consensus Revenue Estimating Conference. There can be no assurance that actual registrations will occur in the amounts shown.

Sources: MDOT and Michigan Department of State, Annual Motor Vehicle Registration Reports.

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The Registration Tax revenues for the fiscal years ended September 30, 2015 through September 30, 2019, and projected for the fiscal year ending September 30, 2020, are set forth below.

Table 5

**Motor Vehicle Registration Tax Revenues⁽¹⁾
Fiscal Years 2015-2020
(in millions)**

| <u>Fiscal Year Ended 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> |
|---|-------------------------------|--|-----------------------|---|--|
| 2015 | \$762.2 | \$189.8 | \$27.0 | \$978.9 | 3.9 |
| 2016 | 795.4 | 195.1 | 28.7 | 1,019.2 | 4.1 |
| 2017 | 954.3 | 226.7 | 29.1 | 1,210.0 | 18.7 |
| 2018 | 1,022.9 | 242.2 | 29.8 | 1,294.9 | 7.0 |
| 2019 | 1,069.5 | 256.1 | 28.6 | 1,354.2 | 4.6 |
| 2020 ⁽⁴⁾ | 1,096.2 | 262.5 | 29.3 | 1,388.0 | 2.5 |

⁽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 January 2020 Consensus Revenue Estimating Conference. There can be no assurance that actual revenues will be generated in the amounts shown.

Sources: MDOT and Michigan Department of State, Annual Motor Vehicle Registration Reports.

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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, 2015 through September 30, 2019, and projected for the fiscal year ending September 30, 2020, are set forth below.

Table 6

**Miscellaneous Fee Revenues
Fiscal Years 2015-2020
(in millions)**

| Fiscal Year Ended September 30 | Miscellaneous Fees |
|-----------------------------------|-----------------------|
| 2015 | \$38.8 ⁽¹⁾ |
| 2016 | 40.6 ⁽¹⁾ |
| 2017 | 44.8 ⁽¹⁾ |
| 2018 | 42.0 ⁽¹⁾ |
| 2019 | 41.3 ⁽¹⁾ |
| 2020 ⁽²⁾ | 41.5 ⁽¹⁾ |

⁽¹⁾ The expeditious treatment fee and registration fees deposited into the MTF were redirected in fiscal years 2015 through 2019 and will be redirected in fiscal year 2020 to the transportation administration collection fund in accordance with Sections 806 and 809 of Act 300 (MCL 257.806 and MCL 257.809) to pay costs of collection of these fees and taxes.

⁽²⁾ Projected. Based on the January 2020 Consensus Revenue Estimating Conference. There can be no assurance that actual revenues will be generated in the amounts shown.

Source: State Budget Office, MDOT - annual financial reports and data, Michigan Department of Treasury, and Office of Revenue and Tax Analysis.

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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, 2015 through September 30, 2019, and projected for the fiscal year ending September 30, 2020, assuming the Bonds have been issued and the Prior 2009 Bonds have been legally defeased.

Table 7

**Act 51 Bonds as of September 30, 2015-2020
(in thousands)⁽¹⁾
Amounts Outstanding September 30**

| | 2015 | 2016 | 2017 | 2018 | 2019 | Projected 2020 ⁽⁵⁾ |
|--|--------------------|--------------------|--------------------|------------------|--------------------|----------------------------------|
| State Trunk Line Fund Bonds ⁽²⁾ | | | | | | |
| Outstanding Bonds | \$973,285 | \$846,470 | \$724,635 | \$597,430 | \$463,520 | \$255,615 |
| Bonds | - | - | - | - | - | 103,485 |
| Total | \$973,285 | \$846,470 | \$724,635 | \$597,430 | \$463,520 | \$359,100 |
| Comprehensive Transportation Bonds ⁽³⁾ | 131,525 | 115,000 | 97,825 | 79,775 | 60,875 | 49,540 |
| Grant Anticipation Obligations ⁽⁴⁾ | 716,305 | 616,625 | 607,110 | 601,285 | 595,130 | 542,310 |
| Total Act 51 Bonds | \$1,821,115 | \$1,578,095 | \$1,429,570 | 1,278,490 | \$1,119,525 | \$950,950 |

(1) Does not include any Refunded Bonds.

(2) Secured by State Trunk Line Fund revenues.

(3) Secured by Comprehensive Transportation Fund revenues.

(4) Secured by Federal Highway Administration Grant revenues.

(5) Includes the Bonds. Does not include any other anticipated bond issues. See "Additional MDOT Financings."

Source: MDOT.

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

The debt service requirements for the Outstanding Bonds and the Bonds (excluding 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 Year Ending September 30 | Debt Service on Outstanding Bonds ⁽¹⁾ | The Bonds | | | Total Debt Service on the Outstanding Bonds and the Bonds |
|---------------------------------------|--|---------------------------|---------------------|-----------------------|--|
| | | Principal Requirements | Interest | Total Debt Service | |
| 2020 | \$118,410,519 | \$ - | \$ - | \$ - | \$118,410,519 |
| 2021 | 76,184,537 | 32,490,000 | 4,807,560 | 37,297,560 | 113,482,098 |
| 2022 | 76,156,131 | 34,610,000 | 2,684,500 | 37,294,500 | 113,450,631 |
| 2023 | 61,783,050 | 10,515,000 | 1,556,375 | 12,071,375 | 73,854,425 |
| 2024 | 6,419,025 | 11,060,000 | 1,017,000 | 12,077,000 | 18,496,025 |
| 2025 | 6,420,950 | 11,620,000 | 450,000 | 12,070,000 | 18,490,950 |
| 2026 | 6,419,500 | 1,555,000 | 120,625 | 1,675,625 | 8,095,125 |
| 2027 | 6,417,376 | 1,635,000 | 40,875 | 1,675,875 | 8,093,251 |
| 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 | \$422,388,338 | \$103,485,000 | \$10,676,935 | \$114,161,935 | \$536,550,274 |

⁽¹⁾ Excludes the Prior 2009 Bonds.

Note: Totals may not add due to rounding.

Source: MDOT.

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**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 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, 2015 through September 30, 2019, and projected for the fiscal year ending September 30, 2020. 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
Historical and Projected Debt Service Coverage
(in millions)**

| | Fiscal Year Ended September 30 | | | | | |
|--|--------------------------------|------------------|------------------|------------------|------------------|---------------------------|
| | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020⁽¹⁾</u> |
| Constitutionally Restricted MTF Revenues: | | | | | | |
| Motor Fuel Taxes | \$1,003.8 | \$1,011.0 | \$1,359.5 | \$1,467.9 | \$1,460.1 | \$1,461.4 |
| Registration Taxes | 978.1 | 1,018.3 | 1,210.0 | 1,294.9 | 1,354.2 | 1,388.0 |
| Miscellaneous Fees | 38.8 | 40.6 | 44.8 | 42.0 | 41.3 | 41.5 |
| Total | <u>\$2,020.7</u> | <u>\$2,069.9</u> | <u>\$2,614.3</u> | <u>\$2,804.8</u> | <u>\$2,855.6</u> | <u>\$2,890.9</u> |
| Less Deductions: | <u>389.3</u> | <u>401.9</u> | <u>469.1</u> | <u>489.8</u> | <u>497.6</u> | <u>502.6</u> |
| Constitutionally Restricted Revenues Available for Distribution by Formula | \$1,631.5 | \$1,668.0 | \$2,145.2 | \$2,315.0 | \$2,358.0 | \$2,388.3 |
| Constitutionally Restricted Revenues Transferred by Formula | \$649.8 | \$663.9 | \$849.2 | \$915.6 | \$931.8 | \$947.9 |
| Additional Constitutionally Restricted Revenues ⁽²⁾ | <u>\$118.6</u> | <u>\$118.7</u> | <u>\$125.7</u> | <u>\$125.6</u> | <u>\$125.6</u> | <u>\$125.7</u> |
| Total Constitutionally Restricted Revenues Available for Debt Service | \$768.4 | \$782.6 | \$974.9 | \$1,041.2 | \$1,057.4 | \$1,073.6 |
| Debt Service Paid | \$160.1 | \$162.2 | \$161.8 | \$160.8 | \$160.7 | \$118.4 ⁽³⁾ |
| Debt Service Coverage | 4.8x | 4.8x | 6.0x | 6.5x | 6.6x | 9.1x ⁽³⁾ |
| Maximum Future Annual Debt Service on the Bonds and the Outstanding Bonds ⁽³⁾ | | | | | \$112.6 | \$113.5 |
| Projected Debt Service Coverage ⁽³⁾ | | | | | 9.4x | 9.5x |

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

⁽¹⁾ Projected. Based on the January 2020 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.”

Source: State Budget Office, MDOT – annual financial reports and data, Michigan Department of Treasury, and Office of Revenue and Tax Analysis.

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Table 10

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

| | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020⁽¹⁾</u> |
|--|---------------------------|---------------------------|----------------|----------------|------------------|---------------------------|
| Constitutionally Restricted Revenues Available for Debt Service | \$768.4 | \$782.6 | \$974.9 | \$1,041.2 | \$1,057.4 | \$1,073.6 |
| Actual Debt Service | <u>160.1</u> | <u>162.2</u> | <u>161.8</u> | <u>160.8</u> | <u>160.7</u> | <u>118.4</u> |
| Constitutionally Restricted Revenues Available After Debt Service | \$608.3 | \$620.4 | \$813.1 | \$880.4 | \$896.7 | \$955.2 |
| Additional Non-Federal Revenues ⁽²⁾ | <u>27.0⁽³⁾</u> | <u>34.3⁽⁴⁾</u> | <u>39.8</u> | <u>68.4</u> | <u>141.9</u> | <u>238.1</u> |
| Total Non-Federal Revenues Available After Debt Service for Program ⁽⁵⁾ | <u>\$635.3</u> | <u>\$654.7</u> | <u>\$852.9</u> | <u>\$948.8</u> | <u>\$1,038.6</u> | <u>\$1,193.3</u> |

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

- (1) Projected. Based on the January 2020 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. See “THE MICHIGAN DEPARTMENT OF TRANSPORTATION – Michigan Road Funding Package Enacted in 2015” and “– Recreational Marijuana Excise Tax and Fees” herein. In addition to those revenues listed, fiscal year 2019 includes income tax redirection revenue and fiscal year 2020 will include income tax redirection revenue and recreational marijuana revenue.
- (3) 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.
- (4) Does not include \$113.0 million from the General Fund to match federal aid for State Trunk Line road and bridge construction or \$101.8 million from the General Fund for State Road and Bridge Programs in fiscal year 2016.
- (5) MDOT payment obligations under project agreements for concession-based projects including the I-75 Modernization Project and the Freeway Lighting Project do not constitute bonds, notes or other obligations of MDOT under Section 18b or 18d of Act 51, are not secured by a pledge of State Trunk Line Fund monies or federal aid monies, and accordingly, are not included in Debt Service above. Rather, such program payments are contractual, and anticipated to be paid from the MDOT budget line-item “*State Trunkline federal aid and road and bridge construction.*”

Source: MDOT and Michigan Department of Treasury, Office of Revenue and Tax Analysis, Michigan Transportation Revenue Estimates.

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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 (“Act 300”) (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 and those certain other revenues described herein under the captions “THE MICHIGAN DEPARTMENT OF TRANSPORTATION – Michigan Road Funding Package Enacted in 2015” and “– Recreational Marijuana Excise Tax and Fees,” 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 Rail Grade Crossing Account.

(b) 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 Grade Crossing Surface Account.

(c) Not more than \$3,000,000 each year to the local bridge fund created pursuant to subsection 4 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 (9) of Section 10 of Act 51.

(d) Except as provided in Section 10 of Act 51 and subject to Section 11(h) of Act 51, \$2,000,000 each year of the revenue from the 3 cents of tax levied under Section 8(1)(a) of Act 403, Public Acts of Michigan, 2000, as amended (“Act 403”) (MCL 207.1008) to the local agency wetland mitigation board fund created pursuant to Section 11(h) of Act 51.

(e) Except as provided in Section 10 of Act 51, \$5,000,000 each year of the revenue from 3 cents of the tax levied under Section 8(1)(a) of Act 403 (MCL 207.1008) to the movable bridge fund created in Section 11(g) of Act 51, with the remainder to the State Trunk Line Fund, county road commissions, and cities and villages in the percentages provided in subdivision (l). MDOT shall annually adjust the amount allocated under this subdivision by an amount equal to the annual increase in the Detroit consumer price index for the preceding year.

(f) One-half of the revenue from 1 cent of the tax levied under Section 8(1)(a) of Act 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.

(g) \$50,000,000 to the State Trunk Line Fund for debt service costs on state of Michigan projects.

(h) 10% to the Comprehensive Transportation Fund.

(i) \$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.

(j) \$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 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 Act 231, Public Acts of Michigan, 1987, as amended (MCL 247.909).

(k) 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.

(l) The balance of the Michigan Transportation Fund is apportioned as follows, after deduction of the amounts appropriated in subparagraphs (a) through (k):

- (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 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 State Trunk Line 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)(j) 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 Rail Grade Crossing Account in the State Trunk Line Fund for expenditure for rail grade crossing improvement purposes at rail grade crossings on public roads and streets subject to the procedures set forth in Act 51.

(d) For the transfer of funds appropriated pursuant to Section 10(1)(b) of Act 51 to the Grade Crossing Surface Account in the State Trunk Line Fund for expenditure for rail grade crossing surface improvement projects at rail grade crossings on public roads and streets selected for funding in accordance with criteria set forth in Act 51. Funding of rail grade crossing surface improvement projects from the Grade Crossing Surface Account is limited to sixty percent (60%) of project costs for projects that are normally the responsibility of a railroad, with the remaining forty percent (40%) of project costs funded by the responsible railroad.

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

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

(g) 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.

(h) MDOT may enter into agreements with county road commissions, designated county road agencies, cities, villages, or private sector companies to perform work on a highway, road, or street, including maintenance, engineering services, and the acquisition of rights of way in connection with the work. MDOT also may contract with a county road commission, designated county road agency, city or village to advance money to a county road commission, designated county road agency, city or 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, designated county road agency, city, or village, but the contract shall be executed before the advancement of any money to a county road commission, designated county road agency, city, or village by the commission and shall provide for the full reimbursement of any advancement by a county road commission, designated county road agency, city, or village to MDOT, with interest, within 15 years after advancement, from any available revenue sources of the county road commission, designated county road agency, 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, designated county road agency, city, or village.

(i) 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 described in 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, 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 MTF. 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 181 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 2020 State Trunk Line Refunding Bond Proceeds Fund (the “2020 Bond Proceeds Fund”) and (b) the 2020 Bond Payment Account (the “2020 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. Any portion of the net proceeds of the Bonds to be used to pay accrued interest on the Prior 2009 Bonds, or any interest on the Bonds shall be deposited in the 2020 Bond Payment Account and used to pay interest on the Prior 2009 Bonds or the Bonds.

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 2009 Bonds, to and including 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 2020 Bond Proceeds Fund, together with investment earnings thereon, and used to pay costs related to the issuance of the Bonds, the costs related to the refunding of the Prior 2009 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.

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 2020 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 2020 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 2020 Bond Payment Account.

Moneys in the 2020 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 2020 Bond Payment Account shall be deemed at all times to be part of the 2020 Bond Payment Account, and the interest accruing thereon and any loss or profit realized from such investment shall be applied to the 2020 Bond Payment Account. Subject to additional conditions of the State Treasurer, permitted investments generally include:

- (1) Certificates of deposit or other investments with 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 or loans to municipalities.

Investments of money in the 2020 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 2020 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. Initially, U.S. Bank National Association shall act as the Transfer Agent. 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 2020 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, the Director, and the Commission 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 2020 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 2020 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 mean “(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 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, 2019 (“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.

Legislative Matters

Proposed Legislation

House Bill 5473. On February 6, 2020, House Bill 5473 was introduced in the Michigan House of Representatives and referred to the Committee on Transportation. If adopted, House Bill 5473 would limit the issuance of bonds to ensure that the maximum annual debt service on Outstanding Bonds is less than 10% of the prior year's constitutionally restricted monies.

House Bill 5489. On February 13, 2020, House Bill 5489 was introduced in the Michigan House of Representatives and referred to the Committee on Transportation. If adopted, House Bill 5489 would amend the percentages of funds apportioned and appropriated from the MTF pursuant to Section 10(1)(l) of Act 51, including reducing the percentage to the State Trunk Line Fund from 39.1% to 21.8%.

Senate Bill 0716. On March 4, 2020 the Michigan Senate passed Senate Bill 0716, and it has been referred to the Committee on Transportation of the Michigan House of Representatives. Senate Bill 0716 would amend Act 51 to prohibit the issuance of bonds or notes in excess of \$100 million in any fiscal year without at least 30 days' notice to each house of the State legislature, allowing the State legislature 30 days to disapprove the issuance.

It presently cannot be determined whether these bills will be passed by both houses of the State legislature, or whether the Governor will sign or veto such legislation if passed

Other Legislative Matters

Concurrent Resolution No. 22. On March 4, 2020, the Michigan Senate passed Concurrent Resolution No. 22, calling for responsible use of the State's transportation bonding authority and stating the Legislature's current intent to limit future debt and appropriations under certain circumstances. Under Michigan law, the concurrent resolution does not and cannot amend Act 51, any existing statute, or the Michigan Constitution.

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 Dykema Gossett PLLC, Lansing, Michigan substantially in the forms attached hereto as APPENDICES II and III, respectively. Certain legal matters will be passed upon for the Underwriters by their co-counsel, Hawkins Delafield & Wood LLP, Ann Arbor, Michigan, and Lewis & Munday, A Professional Corporation, Detroit, Michigan. Each of Dykema Gossett PLLC, Hawkins Delafield & Wood LLP and Lewis & Munday, A Professional Corporation, 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.

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TAX MATTERS

In the opinion of Dykema Gossett PLLC, Bond Counsel (“Bond Counsel”), and the Attorney General of the State of Michigan, based on their examination of the documents described in their opinions, under existing law, the interest on the Bonds is (a) excludable 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.

Bond Counsel and the Attorney General are also of the opinion that, based on their examination of the documents described in their opinions, under existing law, the Bonds and the interest thereon are exempt from all taxation by the State of Michigan or by any political subdivision of the State of Michigan, except estate taxes and taxes on gains realized from the sale, payment or other disposition thereof. Bond Counsel and the Attorney General will express no opinion regarding any other federal or state tax consequences arising with respect to the Bonds and the interest thereon.

The opinions on federal tax matters is based on the accuracy of certain representations and certifications, and continuing compliance with certain covenants, of the State contained in the transcript of proceedings and which are intended to evidence and assure the foregoing, including that the Bonds are and will remain obligations the interest on which is excludable from gross income for federal income tax purposes. The State has covenanted to take the actions required of it for the interest on the Bonds to be and to remain excludable from gross income for federal income tax purposes, and not to take any actions that would adversely affect that exclusion. The opinions assume the accuracy of the State’s certifications and representations and the continuing compliance with the State’s covenants. Noncompliance with these covenants by the State may cause the interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds. After the date of issuance of the Bonds, Bond Counsel and the Attorney General will not undertake to determine (or to so inform any person) whether any actions taken or not taken, or any events occurring or not occurring, or any other matters coming to their attention, may adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds or the market prices of the Bonds.

The opinion of Bond Counsel and the Attorney General are based on current legal authority and covers certain matters not directly addressed by such authority. It represents their legal judgment as to the excludability of interest on the Bonds from gross income for federal income tax purposes but is not a guarantee of that conclusion. The opinions are not binding on the Internal Revenue Service (“IRS”) or any court. Bond Counsel and the Attorney General cannot give and have not given any opinion or assurance about the effect of future changes in the Internal Revenue Code of 1986, as amended (the “Code”), the applicable regulations, the interpretations thereof or the enforcement thereof by the IRS.

Ownership of the Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, foreign corporations subject to the branch profits tax, financial institutions, certain insurance companies, certain S corporations, individual recipients of Social Security or Railroad Retirement benefits individuals otherwise eligible for the earned income tax credit and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry the Bonds. Bond Counsel and the Attorney General will express no opinion regarding any such consequences.

Information Reporting and Backup Withholding. Information reporting requirements apply to interest paid after March 31, 2007 on tax-exempt obligations, including the Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, “Request for Taxpayer Identification Number and Certification,” or unless the recipient is one of a limited class of exempt recipients, including corporations. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to “backup withholding,” which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a “payor” generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing the Bonds through a brokerage account has executed a Form W-9 in connection with the establishment of such account no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Bonds from gross income for federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's federal income tax once the required information is furnished to the IRS.

Amortizable Bond Premium. For federal income tax purposes, the excess of the initial offering price to the public (excluding bond houses and brokers) at which a Bond is sold over the amount payable at maturity thereof constitutes for the original purchasers of such Bonds (collectively, the "Original Premium Bonds") an amortizable bond premium. Bonds other than Original Premium Bonds may also be subject to an amortizable bond premium determined generally with regard to the taxpayer's basis (for purposes of determining loss on a sale or exchange) and the amount payable on maturity or, in certain cases, on an earlier call date (such bonds being referred to herein collectively with the Original Premium Bonds as the "Premium Bonds"). The amount of amortizable bond premium allocable to each taxable year is generally determined on the basis of the taxpayer's yield to maturity determined by using the taxpayer's basis (for purposes of determining loss on sale or exchange) of such Premium 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 taxpayer's adjusted basis of such Premium Bonds to determine taxable gain upon disposition (including sale, redemption or payment at maturity) of such Premium Bonds.

All holders of the Premium Bonds should consult with their own tax advisors as to the amount and effect of the amortizable bond premium.

NO ASSURANCE CAN BE GIVEN THAT ANY FUTURE LEGISLATION OR CLARIFICATIONS OR AMENDMENTS, IF ENACTED INTO LAW, WILL NOT CONTAIN PROPOSALS THAT COULD ADVERSELY AFFECT THE MARKET PRICE OR MARKETABILITY OF THE BONDS.

INVESTORS 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 ISSUE PREMIUM THEREON, IF ANY.

Future Developments. Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds and, unless separately engaged, Bond Counsel is not obligated to defend the State in the event of an audit examination by the IRS. The IRS has a program to audit tax-exempt obligations to determine whether the interest thereon is includible in gross income for federal income tax purposes. If the IRS does audit the Bonds, under current IRS procedures, the IRS will treat the State as the taxpayer and the beneficial owners of the Bonds will have only limited rights, if any, to obtain and participate in judicial review of such audit.

NO ASSURANCE CAN BE GIVEN THAT ANY FUTURE LEGISLATION OR CLARIFICATIONS OR AMENDMENTS TO THE CODE, IF ENACTED INTO LAW, WILL NOT CONTAIN PROPOSALS THAT COULD 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 HOLDERS FROM REALIZING THE FULL CURRENT BENEFIT OF THE STATUS OF THE INTEREST THEREON. BOND COUNSEL AND THE ATTORNEY GENERAL EXPRESS NO OPINION REGARDING ANY PENDING OR PROPOSED FEDERAL OR STATE OF MICHIGAN TAX LEGISLATION.

FURTHER, NO ASSURANCE CAN BE GIVEN THAT ANY ACTIONS OF THE IRS, 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.

INVESTORS SHOULD CONSULT WITH THEIR TAX ADVISORS AS TO THE TAX CONSEQUENCES OF THEIR ACQUISITION, HOLDING OR DISPOSITION OF THE BONDS, INCLUDING THE IMPACT OF ANY PENDING OR PROPOSED FEDERAL OR STATE OF MICHIGAN TAX LEGISLATION.

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, 2019, which speaks only as of its date, is incorporated herein by this reference.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

On or prior to the date of delivery of the Bonds, The Arbitrage Group, Inc. will deliver a report attesting to the mathematical accuracy of the computations contained in the schedules prepared by the Financial Advisor on behalf of the State relating to the adequacy of the cash and the maturity principal of and interest on the Governmental Obligations being deposited in the Escrow Deposit Fund created pursuant to the Escrow Agreement, to pay, on the redemption date, the principal of and interest on the Prior 2009 Bonds.

BOND RATINGS

Moody's Investors Service and S&P Global Ratings, Inc. 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 State will undertake in a Continuing Disclosure Agreement (the "Disclosure Agreement") to assist the Underwriters in complying with the provisions of Rule 15c2-12 (the "Rule"), promulgated by the SEC, by providing annual financial information, operating data, and event notices required by the Rule. The form of the Disclosure Agreement is attached as APPENDIX IV. As described in APPENDIX IV, such undertaking requires the State to provide only limited information at specified times. The State's continuing disclosure filings are available at www.emma.msrb.org.

Compliance

To the best of State's knowledge, except as noted in APPENDIX V – "CERTAIN STATE ACTIONS WITH RESPECT TO CONTINUING DISCLOSURE," in the last five years, the State has not failed to comply with its continuing disclosure agreements with respect to any of its debt.

UNDERWRITING

The underwriters identified on the cover of this Official Statement (the "Underwriters") have agreed to purchase the Bonds from the State at an aggregate price of \$110,865,300.37, reflecting the aggregate principal amount of the Bonds of \$103,485,000.00, plus original issue premium of \$7,674,815.20, and less the Underwriters' discount of \$294,514.83.

The obligations of the Underwriters to purchase the Bonds are subject to certain terms and conditions set forth in the Bond Purchase Contract relating to the Bonds dated April 7, 2020, among the State and the Underwriters. The Bonds may be offered and sold to certain dealers, banks and others at prices lower than the initial public offering prices, and such initial offering prices may be changed from time to time, by the Underwriters.

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.

Citigroup Global Markets Inc., one of the Underwriters, has entered into a retail distribution agreement with Fidelity Capital Markets, a division of National Financial Services LLC (together with its affiliates, "Fidelity"). Under this distribution agreement, Citigroup Global Markets Inc. may distribute municipal securities to retail investors at the original issue price through Fidelity. As part of this arrangement, Citigroup Global Markets Inc. will compensate Fidelity for its selling efforts.

BofA Securities, Inc., one of the Underwriters, has entered into a distribution agreement with its affiliate Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S"). As part of this arrangement, BofA Securities, Inc. may distribute securities to MLPF&S, which may in turn distribute such securities to investors through the financial advisor network of MLPF&S. As part of this arrangement, BofA Securities, Inc. may compensate MLPF&S as a dealer for their selling efforts with respect to the Bonds.

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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/ Paul C. Ajegba
Paul C. Ajegba, 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 fiscal years ended September 30, 2015 through 2019. 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, 2019, which was released on March 13, 2020, 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.

**STATE OF MICHIGAN
STATE TRUNK LINE FUND
BALANCE SHEET
SEPTEMBER 30, 2015, 2016, 2017, 2018 and 2019
(In Thousands)⁽¹⁾**

| | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|
| ASSETS | | | | | |
| Cash | \$ 53 | \$ 69 | \$ 173 | \$ 170 | \$ 64 |
| Equity in common cash | 882,224 | 900,319 | 832,746 | 831,898 | 857,266 |
| Amounts due from other funds | 7,269 | 2,955 | 12,807 | 12,493 | 14,316 |
| Amounts due from component units | 4,154 | 1,124 | 2,708 | 4,031 | 1,726 |
| Amounts due from federal agencies | 148,679 | 106,471 | 124,216 | 84,869 | 179,024 |
| Amounts due from local units | 45,998 | 59,268 | 59,749 | 66,399 | 73,803 |
| Inventories | 13,549 | 12,219 | 10,308 | 7,478 | 10,394 |
| Land contracts outstanding | 28 | - | - | - | - |
| Other assets | 6,749 | 17,537 | 38,908 | 35,666 | 48,144 |
| Total Assets | <u>\$1,108,703</u> | <u>\$1,099,963</u> | <u>\$1,081,613</u> | <u>\$1,043,004</u> | <u>\$1,184,737</u> |
| LIABILITIES | | | | | |
| Warrants outstanding | \$ 1,828 | \$ 4,349 | \$ 5,039 | \$ - | \$ - |
| Accounts payable and other liabilities | 191,206 | 156,528 | 162,665 | 167,343 | 262,877 |
| Amounts due to other funds | 4,149 | 4,668 | 4,715 | 4,638 | 5,056 |
| Unearned revenue | 3,673 | 5,441 | 5,513 | 2,133 | 2,033 |
| Total Liabilities | <u>200,856</u> | <u>170,986</u> | <u>177,931</u> | <u>174,114</u> | <u>269,966</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| | <u>\$ 534</u> | <u>\$ 488</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| FUND BALANCES | | | | | |
| Nonspendable | \$ 13,549 | \$ 12,219 | \$ 10,308 | \$ 7,478 | \$ 10,394 |
| Restricted | 893,765 | 916,270 | 893,373 | 861,412 | 904,377 |
| Total Fund Balances | <u>907,314</u> | <u>928,490</u> | <u>903,682</u> | <u>868,890</u> | <u>914,771</u> |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | <u>\$1,108,703</u> | <u>\$1,099,963</u> | <u>\$1,081,613</u> | <u>\$1,043,004</u> | <u>\$1,184,737</u> |

(1) Totals may not add due to rounding.

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, 2015, 2016, 2017, 2018, and 2019
(In Thousands)⁽¹⁾

| | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> |
|---|-------------------|-------------------|-------------------|-------------------|--------------------|
| REVENUES | | | | | |
| From taxes | \$ - | \$ - | \$ - | \$ - | \$ - |
| From federal agencies | 853,689 | 783,776 | 733,195 | 661,834 | 855,308 |
| From local agencies | 14,519 | 20,411 | 13,254 | 15,676 | 17,032 |
| From licenses and permits | 16,796 | 17,802 | 9,808 | 16,913 | 17,300 |
| Miscellaneous | <u>55,147</u> | <u>83,846</u> | <u>155,952</u> | <u>177,418</u> | <u>173,164</u> |
| Total Revenues | <u>940,151</u> | <u>905,835</u> | <u>912,210</u> | <u>871,841</u> | <u>1,062,804</u> |
| EXPENDITURES | | | | | |
| Current: Transportation | 673,437 | 694,014 | 644,899 | 701,145 | 745,959 |
| Capital Outlay | 864,929 | 859,675 | 1,143,790 | 1,136,993 | 1,335,980 |
| Capital lease payments | <u>644</u> | <u>605</u> | <u>588</u> | <u>462</u> | <u>587</u> |
| Total Expenditures | <u>1,539,010</u> | <u>1,554,295</u> | <u>1,809,277</u> | <u>1,838,600</u> | <u>2,082,526</u> |
| Excess of Revenues Over (Under) Expenditures | <u>(598,861)</u> | <u>(648,459)</u> | <u>(897,066)</u> | <u>(966,759)</u> | <u>(1,019,722)</u> |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Capital Lease Acquisitions | - | 898 | 7 | 389 | 514 |
| Proceeds from sale of capital assets | 2,242 | 501 | 1,107 | 1,218 | 660 |
| Premium on bonds issued | - | 23 | - | - | - |
| Operating transfers in | 870,265 | 883,606 | 1,090,297 | 1,145,762 | 1,266,509 |
| Operating transfers out | <u>(219,309)</u> | <u>(215,394)</u> | <u>(219,151)</u> | <u>(215,401)</u> | <u>(202,079)</u> |
| Total Other Financing Sources (Uses) | <u>653,198</u> | <u>669,634</u> | <u>872,259</u> | <u>931,967</u> | <u>1,065,604</u> |
| Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses | 54,337 | 21,176 | (24,808) | (34,792) | 45,881 |
| Fund Balances – October 1 | <u>852,976</u> | <u>907,313</u> | <u>928,489</u> | <u>903,682</u> | <u>868,890</u> |
| Fund Balances – September 30 | <u>\$ 907,313</u> | <u>\$ 928,489</u> | <u>\$ 903,682</u> | <u>\$ 868,890</u> | <u>\$ 914,771</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, 2015, 2016, 2017, 2018, and 2019
(In Thousands)⁽¹⁾

| | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|
| ASSETS | | | | | |
| Equity in common cash | \$ 102,186 | \$ 93,437 | \$ 36,178 | \$ 101,969 | \$ 55,213 |
| Taxes, interest, and penalties receivable | 107,520 | 98,707 | 139,199 | 158,475 | 142,956 |
| Amounts due from other funds | - | - | - | - | - |
| Other assets | <u>24</u> | <u>14</u> | <u>6</u> | <u>108</u> | <u>2,481</u> |
| Total Assets | <u>\$ 209,731</u> | <u>\$ 192,157</u> | <u>\$ 175,383</u> | <u>\$ 260,553</u> | <u>\$ 200,650</u> |
| LIABILITIES | | | | | |
| Warrants outstanding | \$ 482 | \$ 880 | \$ 5,404 | \$ - | \$ - |
| Accounts payable and other liabilities | 188,902 | 182,345 | 144,951 | 234,213 | 170,320 |
| Amounts due to other funds | 9,335 | 3,795 | 16,446 | 16,043 | 18,385 |
| Unearned revenue | <u>-</u> | <u>1</u> | <u>-</u> | <u>-</u> | <u>1</u> |
| Total Liabilities | <u>198,719</u> | <u>187,022</u> | <u>166,801</u> | <u>250,256</u> | <u>188,705</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| | <u>11,011</u> | <u>5,136</u> | <u>8,582</u> | <u>10,297</u> | <u>11,945</u> |
| FUND BALANCES | | | | | |
| Restricted | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Fund Balances | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | <u>\$ 209,731</u> | <u>\$ 192,157</u> | <u>\$ 175,383</u> | <u>\$ 260,553</u> | <u>\$ 200,650</u> |

(1) Totals may not add due to rounding.

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, 2015, 2016, 2017, 2018, and 2019
(In Thousands)⁽¹⁾**

| | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|
| REVENUES | | | | | |
| Taxes | \$1,981,939 | \$2,029,277 | \$2,569,442 | \$2,762,785 | \$3,078,257 |
| From licenses and permits | 34,935 | 36,643 | 40,718 | 37,809 | 37,033 |
| Miscellaneous | <u>4,561</u> | <u>4,981</u> | <u>6,042</u> | <u>7,513</u> | <u>9,453</u> |
| Total Revenues | <u>2,021,435</u> | <u>2,070,901</u> | <u>2,616,202</u> | <u>2,808,106</u> | <u>3,124,744</u> |
| EXPENDITURES | | | | | |
| Current: Transportation | <u>986,695</u> | <u>1,009,601</u> | <u>1,299,620</u> | <u>1,405,714</u> | <u>1,594,423</u> |
| Total Expenditures | <u>986,695</u> | <u>1,009,601</u> | <u>1,299,620</u> | <u>1,405,714</u> | <u>1,594,423</u> |
| Excess of Revenues over (under) Expenditures | <u>1,034,740</u> | <u>1,061,300</u> | <u>1,316,581</u> | <u>1,402,392</u> | <u>1,530,320</u> |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers from other funds | 740 | 1,427 | 1,436 | 143 | - |
| Transfers to other funds | <u>(1,035,479)</u> | <u>(1,062,727)</u> | <u>(1,318,018)</u> | <u>(1,402,535)</u> | <u>(1,530,320)</u> |
| Total Other Financing Sources (Uses) | <u>(1,034,740)</u> | <u>(1,061,300)</u> | <u>(1,316,581)</u> | <u>(1,402,392)</u> | <u>(1,530,320)</u> |
| Excess of Revenues and Other Sources over (under) Expenditures and Other Uses | - | - | - | - | - |
| Fund Balances - October 1 | - | - | - | - | - |
| Fund Balances - September 30 | <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

April 14, 2020

State Transportation Commission

Paul C. Ajegba, P.E., Director
Michigan Department of Transportation

Rachael Eubanks
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 2020A (the “Bonds”) in the aggregate principal sum of \$103,485,000:

- (1) Const 1963, art 9, § 9, and 1951 PA 51, as amended (“Act 51”), pursuant to which the Bonds are to be 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 January 30, 2020 (the “Resolution”) authorizing the issuance of the Bonds;
- (3) one Bond, as executed or a specimen thereof; and
- (4) a Nonarbitrage and Tax Compliance Certificate of the State.

The Bonds are being issued to refund certain State of Michigan State Trunk Line Fund Bonds and to pay the costs of issuing the Bonds.

Based on the foregoing, I am of the opinion on the date hereof 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 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 Act 51.
2. Payment of the principal of, premium, if any, and interest on the Bonds, certain outstanding bonds and any additional bonds or other obligations similarly secured, issued within the limitations provided by Const 1963, art 9, § 9 and 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.
3. Interest on the Bonds (i) is excluded from gross income for federal income tax purposes and (ii) is not treated as an item of tax preference for purposes of the federal alternative minimum tax. 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 such requirements could cause the interest on the Bonds to be included in gross income 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 political subdivision thereof, 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, fraudulent conveyance, reorganization, moratorium and other laws 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, including the application of general principles of equity.

Sincerely,

DANA NESSEL
Attorney General

Assistant Attorney General

APPENDIX III

FORM OF BOND COUNSEL APPROVING OPINION

April 14, 2020

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 \$103,485,000, designated STATE OF MICHIGAN STATE TRUNK LINE FUND REFUNDING BONDS, SERIES 2020A (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 April 14, 2020, 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. The opinion set forth in clause (a) above 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,

DYKEMA GOSSETT, PLLC

APPENDIX IV

FORM OF CONTINUING DISCLOSURE AGREEMENT

\$103,485,000

STATE OF MICHIGAN

STATE TRUNK LINE FUND REFUNDING BONDS,

SERIES 2020A

This Continuing Disclosure Agreement (the “Disclosure Agreement”) is executed and delivered by the State of Michigan acting through the Michigan Department of Transportation and The Michigan Department of Treasury (the “State”) in connection with the issuance of \$103,485,000 State of Michigan State Trunk Line Fund Refunding Bonds, Series 2020A (the “Bonds”). The Bonds are being issued pursuant to a Resolution adopted by the State Transportation Commission on January 30, 2020 (the “Resolution”). The State covenants and agrees as follows:

Section 1. Purpose of the Disclosure Agreement.

This Disclosure Agreement is being executed and delivered by the State for the benefit of the Bondholders and the Beneficial Owners and in order to assist the Participating Underwriters in complying with subsection (b)(5) of the Rule (as defined below).

Section 2. Definitions.

In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the State pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“Beneficial Owner” shall mean any person 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).

“Bondholder” shall mean the registered owner of any Bonds.

“Dissemination Agent” shall mean the State, or any successor Dissemination Agent designated in writing by the State and which has filed with the State a written acceptance of such designation.

“EMMA” shall mean the Electronic Municipal Market Access system of the MSRB. As of the date of this Disclosure Agreement, the EMMA Internet Web site address is <http://www.emma.msrb.org>.

“Financial Obligation” means a (i) debt obligation; (ii) derivative instrument entered into in connection with or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

“Listed Events” shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

“MSRB” shall mean the Municipal Securities Rulemaking Board established in accordance with the provisions of Section 15B(b)(1) of the 1934 Act. As of the date of this Disclosure Agreement, the address and telephone and telecopy numbers of the MSRB are as follows:

Municipal Securities Rulemaking Board
1300 I Street NW, Suite 1000
Washington, DC 20005
Tel: (202) 838-1500
Fax: (202) 898-1500

“1934 Act” shall mean the Securities Exchange Act of 1934, as amended.

“Participating Underwriter” shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with the primary offering of the Bonds.

“Rule” shall mean Rule 15c2-12 (17 CFR Part 240, §240.15c2-12) promulgated by the SEC pursuant to the 1934 Act, as the same may be amended from time to time, together with all interpretive guidance or other official interpretations or explanations thereof that are promulgated by the SEC.

“SEC” shall mean the United States Securities and Exchange Commission.

“Securities Counsel” shall mean legal counsel expert in federal securities law.

Section 3. Provision of Annual Reports.

(a) Each year, the State Treasurer on behalf of the State shall provide, or have the Dissemination Agent provide, not later than the date seven months after the close of the State's fiscal year to the MSRB an Annual Report of the preceding fiscal year which is consistent with the requirements of Section 4 of this Disclosure Agreement. Not later than fifteen (15) business days (or such lesser number of days as is acceptable to the Dissemination Agent) prior to that date, the State Treasurer shall provide the Annual Report to the Dissemination Agent (if other than the State). Currently, the State's fiscal year closes on September 30. In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Agreement. If, however, the audited financial statements of the State are not available by the deadline for filing the Annual Report, they shall be provided when and if available, and unaudited financial statements shall be included in the Annual Report.

(b) If the State is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the State Treasurer, on behalf of the State, shall send a notice to the MSRB in substantially the form attached as Exhibit A.

(c) If the State's fiscal year changes, the State Treasurer, on behalf of the State, shall send a notice of the change to the MSRB. If the change will result in the State's fiscal year ending on a date later than the ending date prior to the change, the State shall provide notice of the change to the MSRB on or prior to the deadline for filing the Annual Report in effect when the State operated under its prior fiscal year. Such notice may be provided to the MSRB along with the Annual Report, provided that it is filed at or prior to the deadline described above.

(d) The Dissemination Agent shall determine each year prior to the date for providing the Annual Report the name and address of the MSRB, if any, and (if the Dissemination Agent is other than the State) file a report with the State certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided to the MSRB.

Section 4. Content of Annual Reports.

The State's Annual Report shall contain or incorporate by reference the following:

- (a) audited financial statements of the State prepared pursuant to accounting and reporting policies conforming in all material respects to generally accepted accounting principles as applicable to governments with such changes as may be required from time to time by State law; and
- (b) updated financial information and operating data 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" (excluding any projected amounts).

Any or all of the items listed above may be incorporated by reference to other documents, including official statements of debt issues of the State or related public entities, which previously have been provided to the MSRB or filed with the SEC. If the document incorporated by reference is a final official statement, it need only be available from the MSRB. The State shall clearly identify each document so incorporated by reference.

Section 5. Reporting of Significant Events.

(a) The State covenants to provide, or cause to be provided, notice of the occurrence of any of the following events with respect to the Bonds, if material, in a timely manner not in excess of ten (10) business days after the occurrence of the event and in accordance with the Rule:

- (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 events affecting the tax status of the security;
- (7) Modifications to rights of security holders, if material;
- (8) Bond calls, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution, or sale of property securing repayment of the securities, if material;

- (11) Rating changes;
- (12) Bankruptcy, insolvency, receivership or similar event of the obligated person;
- (13) 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;
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (15) Incurrence of a Financial Obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect security holders, if material; and
- (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the Financial Obligation of the obligated person, any of which reflect financial difficulties.

(b) Whenever the State obtains knowledge of the occurrence of a Listed Event described in subsection (a)(2), (7), (8), (10), (13), (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.

(c) If the State Treasurer on behalf of the State determines that (i) a Listed Event described in subsection (a)(1), (3), (4), (5), (6), (8), (9), (11), (12) or (16) has occurred or (ii) the occurrence of a Listed Event described in subsection (a)(2), (7), (8), (10), (13), (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 providing a notice of the occurrence of a Listed Event described in subsection (a)(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.

(d) In connection with providing a notice of the occurrence of a Listed Event, the Dissemination Agent (if other than the State), solely in its capacity as such, is not obligated or responsible under this Disclosure Agreement to determine the sufficiency of the content of the notice for purposes of the Rule or any other state or federal securities law, rule, regulation or administrative order.

(e) The State acknowledges that the “rating changes” referred to in Section 5(a)(11) above may include, without limitation, any change in any rating on the Bonds or other indebtedness for which the State is liable.

(f) The State acknowledges that it is not required to provide a notice of a Listed Event with respect to credit enhancement when the credit enhancement is added after the primary offering of the Bonds, the State does not apply for or participate in obtaining such credit enhancement, and such credit enhancement is not described in the final Official Statement relating to the Bonds.

Section 6. Termination of Reporting Obligation.

(a) The State's obligations under this Disclosure Agreement shall terminate upon the legal defeasance of the Resolution or the prior redemption or payment in full of all of the Bonds.

(b) This Disclosure Agreement, or any provision hereof, shall be null and void in the event that the State (i) receives an opinion of Securities Counsel, addressed to the State, to the effect that those portions of the Rule, which require such provisions of this Disclosure Agreement, do not or no longer apply to the Bonds, whether because such portions of the Rule are invalid, have been repealed, amended or modified, or are otherwise deemed to be inapplicable to the Bonds, as shall be specified in such opinion, and (ii) delivers notice to such effect to the MSRB.

Section 7. Dissemination Agent.

The State Treasurer on behalf of the State, from time to time, may appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Agent, with or without appointing a successor Dissemination Agent.

Section 8. Mandatory Electronic Filing with EMMA.

All filings with the MSRB under this Disclosure Agreement shall be made by electronically transmitting such filings through the EMMA Dataport at <http://www.emma.msrb.org> as provided by the amendments to the Rule adopted by the SEC in Securities Exchange Act Release No. 59062 on December 5, 2008.

Section 9. Amendment; Waiver.

Notwithstanding any other provision of this Disclosure Agreement, this Disclosure Agreement may be amended, and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(i) if the amendment or waiver relates to the provisions of Section 3(a), (b), (c), 4 or 5(a), it may only be 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 identity, nature or status of the State, or type of activities in which the State is engaged;

(ii) this Disclosure Agreement, as so amended or taking into account such waiver, would, in the opinion of Securities Counsel, have complied with the requirements of the Rule at the time of the original issuance 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 or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Bondholders.

Section 10. Additional Information.

Nothing in this Disclosure Agreement shall be deemed to prevent the State from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or in any notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the State chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the State shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Failure To Comply.

In the event of a failure of the State or the Dissemination Agent (if other than the State) to comply with any provision of this Disclosure Agreement, any Bondholder or Beneficial Owner may bring an action to obtain specific performance of the obligations of the State or the Dissemination Agent (if other than the State) under this Disclosure Agreement, but no person or entity shall be entitled to recover monetary damages hereunder under any circumstances, and any failure to comply with the obligations under this Disclosure Agreement shall not constitute a default with respect to the Bonds or under the Resolution.

Section 12. Duties of Dissemination Agent.

The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement.

Section 13. Beneficiaries.

This Disclosure Agreement shall inure solely to the benefit of the State, the Dissemination Agent, the Participating Underwriters, the Bondholders and the Beneficial Owners, and shall create no rights in any other person or entity.

Section 14. Transmission of Information and Notices.

Unless otherwise required by law or permitted by this Disclosure Agreement, and, in the sole determination of the State or the Dissemination Agent, as applicable, subject to technical and economic feasibility, the State or the Dissemination Agent, as applicable, shall employ such methods of information and notice transmission as shall be requested or recommended by the herein-designated recipients of such information and notices.

Section 15. Additional Disclosure Obligations.

The State acknowledges and understands that other State and federal laws, including, without limitation, the Securities Act of 1933, as amended, and Rule 10b-5 promulgated by the SEC pursuant to the 1934 Act, may apply to the State, and that under some circumstances, compliance with this Disclosure Agreement, without additional disclosures or other action, may not fully discharge all duties and obligations of the State under such laws.

Section 16. Governing Law.

This Disclosure Agreement shall be construed and interpreted in accordance with the laws of the State, and any suits and actions arising out of this Disclosure Agreement shall be instituted in a court of competent jurisdiction in the State. Notwithstanding the foregoing, to the extent this Disclosure Agreement addresses matters of federal securities laws, including the Rule, this Disclosure Agreement shall

be construed and interpreted in accordance with such federal securities laws and official interpretations thereof.

Date: April 14, 2020

STATE OF MICHIGAN

By: _____
Patrick J. McCarthy
Bureau Director
Bureau of Finance and Administration
Michigan Department of Transportation

MICHIGAN DEPARTMENT OF TREASURY

By: _____
Deborah M. Roberts
Director
Bureau of State and Authority Finance
Michigan Department of Treasury

EXHIBIT A

**NOTICE TO THE MSRB
OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: State of Michigan
Name of Bond Issue: State Trunk Line Fund Refunding Bonds, Series 2020A
Date of Issuance: April 14, 2020

The State has not provided an Annual Report with respect to the above-named Bonds as required by Section 3 of the Continuing Disclosure Agreement provided by the State of Michigan on _____, 2020. The State anticipates that the Annual Report will be filed by _____.

STATE OF MICHIGAN

By: _____

Dated: _____

Its: _____

APPENDIX V

CERTAIN STATE ACTIONS WITH RESPECT TO CONTINUING DISCLOSURE

| Date | Action | Reason for Notice | Bonds Affected |
|-------------------|-------------------|--|---|
| August 4, 2015 | Filed EMMA notice | State timely filed Comprehensive Annual Financial Report (“CAFR”) for the State fiscal years ended September 30, 2013 and September 30, 2014, but did not include all applicable CUSIPS. | State of Michigan General Obligation Environmental Program and Refunding Bonds, Series 2011B (Federally Taxable) |
| July 6, 2016 | Filed EMMA notice | Most recent Table 1 – “Receipts into the Highway Account of the Highway Trust Fund Federal Fiscal Years 2015-2018,” containing information widely and readily available from the Congressional Budget Office, was inadvertently omitted from the State’s annual filing due April 30, 2016. | State of Michigan Grant Anticipation Bonds, Series 2007 and State of Michigan Grant Anticipation Bonds, Series 2009B (Taxable – Build America Bonds – Direct Payment) |
| July 6, 2016 | Filed EMMA notice | March, 2014 rating upgrade by S&P of Assured Guaranty Municipal Corp., the successor insurer to Financial Security Assurance Inc. State believes it never received this upgrade notice. | State of Michigan Grant Anticipation Bonds, Series 2007 |
| August 18, 2017 | Filed EMMA notice | Table 9 – “Allocation of Motor Vehicle Related Sales Tax Revenue Fiscal Year 2015” was inadvertently omitted from State’s annual filing due April 30, 2016. | Outstanding State of Michigan Comprehensive Transportation Bonds |
| February 27, 2020 | Filed EMMA notice | State timely filed Comprehensive Annual Financial Report (“CAFR”) for the State fiscal year ended September 30, 2015, but did not include all applicable CUSIPS. | State of Michigan General Obligation Environmental Program Bonds, Series 2016A (Tax-Exempt) |
| February 27, 2020 | Filed EMMA notice | State timely filed Comprehensive Annual Financial Report (“CAFR”) and Operating Data for the State fiscal years ended September 30, 2017 and September 30, 2018, but did not include all applicable CUSIPS. | State of Michigan State Trunk Line Fund Bonds, Series 2011 |

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