NEW ISSUE
BOOK ENTRY ONLY

Ratings+: *Moody's: A2*
S&P: AA

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

$607,110,000
STATE OF MICHIGAN
GRANT ANTICIPATION REFUNDING BONDS, SERIES 2016

Dated: Date of Delivery **Due:** March 15, as shown below

The State of Michigan Grant Anticipation Refunding Bonds, Series 2016 (the "Refunding 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 Refunding Bonds, principal of and interest on the Refunding Bonds (interest commencing March 15, 2017 and semi-annually thereafter) are payable by U.S. Bank National Association, as successor to National City Bank of Michigan/Illinois, as trustee (the "Trustee"), to Cede & Co., as nominee for DTC, and payment thereof will be made to purchasers by DTC participants or indirect participants. (See "THE REFUNDING BONDS - DTC; Book-Entry-Only System.") Purchasers will acquire beneficial ownership interests in the Refunding Bonds in denominations of $5,000 or integral multiples thereof.

The Refunding Bonds are issued in accordance with the authorization provided in Act 51, Public Acts of Michigan, 1951, as amended. The Refunding Bonds are issued under a trust agreement, as amended and supplemented (the "Trust Agreement") between the State of Michigan (the "State") and the Trustee and a resolution adopted by the State Transportation Commission and the Director of the Michigan Department of Transportation on May 19, 2016 (the "Resolution"). The proceeds from the sale of the Refunding Bonds, together with other available moneys, if any, will be used to make deposits in accordance with the Series 2007 Escrow Agreement and the Series 2009B/2016 Escrow Agreement (both as defined herein) in order to accomplish the refunding of the Bonds To Be Refunded (as defined herein) as described under "PLAN OF REFUNDING", to pay the costs of refunding the Bonds To Be Refunded and to pay the costs of issuance of the Refunding Bonds.

The Refunding Bonds are not general obligations of the State of Michigan, its agencies, instrumentalities or political subdivisions. The principal of and interest on the Refunding Bonds are payable from and are secured by an irrevocable pledge of the state share (the "State Share") of all federal grants received each year by the State under the Federal-Aid Highway Program as more fully described in this Official Statement and by moneys in the Note Payment Fund (as defined in this Official Statement). The pledge of the State Share is made on a parity basis with the security pledged for all of the State's Grant Anticipation Obligations (as defined in this Official Statement), including the Unrefunded Series 2007 Bonds, the Series 2009B Bonds and any Additional Bonds or Notes (all as defined in this Official Statement) that may be issued under the Trust Agreement. Additionally, a portion of the interest due on the Refunding Bonds to and including September 15, 2018 will be payable by funds in the 2009B/2016 Escrow Agreement. **Payment of the principal of and interest on the Refunding Bonds from the State Share shall be subject to an appropriation each year by the State Legislature in an amount sufficient to make such payments.** See "SECURITY FOR THE REFUNDING BONDS."

The Refunding Bonds are not subject to optional redemption prior to maturity.

Maturities, Principal Amounts, Interest Rates, Yields, and CUSIP[1] Numbers

Maturity (March 15)	Principal Amount	Interest Rate	Yield	CUSIP[1]	Maturity (March 15)	Principal Amount	Interest Rate	Yield	CUSIP[1]
2018	$5,825,000	5.00%	0.66%	594612 CZ4	2023	$40,560,000	5.00%	1.54%	594612 DE0
2019	6,155,000	5.00	0.81	594612 DA8	2024	95,020,000	5.00	1.71	594612 DF7
2020	10,100,000	3.00	1.00	594612 DK6	2025	101,505,000	5.00	1.81	594612 DG5
2020	42,720,000	5.00	1.00	594612 DB6	2026	119,095,000	5.00	1.91	594612 DH3
2021	28,785,000	5.00	1.16	594612 DC4	2027	127,055,000	5.00	2.07	594612 DJ9
2022	30,290,000	5.00	1.34	594612 DD2					

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 Refunding Bonds are offered when, as and if issued by the State and subject to the receipt of the approving opinions of the Attorney General of the State of Michigan, and of Dickinson Wright PLLC, Lansing, Michigan, Bond Counsel. Certain legal matters will be passed upon for the Underwriters by their counsel, Dykema Gossett PLLC, Lansing, Michigan. Public Financial Management, Inc., Minneapolis, Minnesota, is serving as financial advisor to the State in connection with the sale and issuance of the Refunding Bonds. Delivery of the Refunding Bonds is expected on or about August 12, 2016 through DTC in New York, New York.

Loop Capital Markets
Joint Book Running Senior Manager

BofA Merrill Lynch
Joint Book Running Senior Manager

Citigroup

Goldman, Sachs & Co.

J.P. Morgan **Morgan Stanley** **Siebert Brandford Shank & Co.**

Dated: July 14, 2016

+ See "BOND RATINGS" herein.

1 Copyright, American Bankers Association. CUSIP data herein are provided by Standard & Poor's, CUSIP Service Bureau, a part of McGraw-Hill Financial. The CUSIP numbers listed above are being provided solely for the convenience of Bondholders only at the time of issuance of the Bonds and the State does not make any representation with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

STATE OF MICHIGAN

Rick Snyder, *Governor*
Nick A. Khouri, *State Treasurer*

State Transportation Commission

Todd Wyett, *Chairperson*
Lynn Afendoulis, *Vice Chairperson*
Ron Boji, *Member*
George K. Heartwell, *Member*
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Michigan Department of Transportation Staff

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

Financial Advisor
Public Financial Management, Inc.

Counsel to the State
The Attorney General of the State of Michigan

Bond Counsel
Dickinson Wright PLLC

Underwriters' Counsel
Dykema Gossett PLLC

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

In connection with the offering of the Refunding Bonds, the Underwriters may over-allot and effect transactions that stabilize or maintain the market price of the Refunding 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 TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE REFUNDING 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 revenues or the ability to generate cash flow to service indebtedness are forward-looking statements. Investors are cautioned that reliance on any of those forward-looking statements involves risks and uncertainties and that, although the State of Michigan believes that the assumptions on which those forward-looking statements are based are reasonable, any of those assumptions could prove to be inaccurate. As a result, the forward-looking statements based on those assumptions also could be incorrect, and actual results may differ materially from any results indicated or suggested by those assumptions. In light of these and other uncertainties, the inclusion of a forward-looking statement in this Official Statement should not be regarded as a representation by the State of Michigan that its plans and objectives will be achieved. All forward-looking statements are expressly qualified by the cautionary statements contained in this paragraph. Neither the Michigan Department of Transportation nor the State of Michigan undertakes any duty to update any forward-looking statements.

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OFFICIAL STATEMENT

$607,110,000
STATE OF MICHIGAN
GRANT ANTICIPATION REFUNDING BONDS, SERIES 2016

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 $607,110,000 State of Michigan Grant Anticipation Refunding Bonds, Series 2016 (the "Refunding Bonds"). Terms used in this Official Statement and not otherwise defined herein shall have the same meanings as in the Trust Agreement dated as of July 1, 2001 (the "Original Trust Agreement") between the State and U.S. Bank National Association, as successor to National City Bank of Michigan/Illinois, as trustee (the "Trustee") as amended and supplemented by the First Supplement to Trust Agreement dated as of September 1, 2002 (the "First Supplement"), a Second Supplement to Trust Agreement dated as of August 1, 2007 (the "Second Supplement"), the Third Supplement to Trust Agreement dated as of June 1, 2009 (the "Third Supplement"), and the Fourth Supplement to Trust Agreement dated as of August 1, 2016 (the "Fourth Supplement", and together with the Original Trust Agreement, the First Supplement, the Second Supplement and the Third Supplement, the "Trust Agreement").

The Refunding Bonds are being issued pursuant to Act 51, Public Acts of Michigan, 1951, as amended ("Act 51"), the Trust Agreement and the resolution adopted by the State Transportation Commission (the "Commission") and the Director of the Michigan Department of Transportation (the "Department" or "MDOT") on May 19, 2016 (the "Resolution"). The proceeds from the sale of the Refunding Bonds, together with other available moneys, if any, will be used to make deposits in accordance with the Series 2007 Escrow Agreement and the Series 2009B/2016 Escrow Agreement (both as defined herein) in order to accomplish the refunding of the Bonds To Be Refunded (as defined herein) as described under "PLAN OF REFUNDING", to pay the costs of refunding the Bonds To Be Refunded and to pay the costs of issuance of the Refunding Bonds.

The Refunding Bonds, together with the Unrefunded Series 2007 Bonds (as defined herein) and the Series 2009B Bonds (as defined herein) and any Additional Bonds or Notes of the State issued under Act 51 and the Trust Agreement and described under "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION AND THE TRUST AGREEMENT — Additional Bonds or Notes," will be secured by a pledge of, and be payable from, (i) the State's share of federal reimbursements for projects administered by the Department and other eligible federal assistance that the Department shall receive from the Federal Highway Administration (the "FHWA") with respect to federally-aided highway construction projects under or in accordance with Title 23 of the United States Code or any successor highway program established under federal law, and (ii) the moneys in the Note Payment Fund (as defined herein). Additionally, the funds in the 2009B/2016 Escrow Agreement will be used to pay (i) a portion of the interest due on the Refunding Bonds to and including September 15, 2018, and (ii) the redemption price of the Series 2009B Bonds on September 15, 2018. (See "PLAN OF REFUNDING – Crossover Refunding of the Series 2009B Bonds.)

As used herein, "Grant Anticipation Obligations" means all obligations (whether designated as bonds or notes) outstanding under the Trust Agreement from time to time, including the Refunding Bonds, the Unrefunded Series 2007 Bonds, the Series 2009B Bonds, and any Additional Bonds or Notes issued from time to time under the Trust Agreement.

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 Refunding Bonds.

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

THE STATE TRANSPORTATION COMMISSION

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

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

THE MICHIGAN DEPARTMENT OF TRANSPORTATION

Responsibilities and Organization

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

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

Funding for MDOT Programs

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

MDOT's highway programs are funded from the proceeds of bonds and notes and from the State Trunk Line Fund (the "State Trunk Line Fund") established pursuant to Act 51 after payment of bonds payable solely from such fund and from moneys provided by the federal government. The revenues of the State Trunk Line Fund include a portion of the motor vehicle fuel taxes, vehicle registration taxes, and interest and miscellaneous fees deposited into the Michigan Transportation Fund established pursuant to Act 51.

MDOT's comprehensive transportation programs are funded from the Comprehensive Transportation Fund which receives a portion of the sales tax on motor vehicles, motor vehicles parts and accessories, and motor vehicle fuel and a portion of motor fuel taxes, vehicle registration taxes, and interest and miscellaneous fees deposited into the Michigan Transportation Fund.

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. 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 funds. The projects will preserve rail freight connectivity and improve passenger rail services in Michigan.

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

State Highway Program

As of December 31, 2015, Michigan's total highway network consisted of 121,215 miles of highways, roads and streets of which 9,672 miles were under MDOT jurisdiction, 90,233 miles were under the jurisdiction of the county road commissions or departments, and 21,310 miles were under the jurisdiction of various Michigan cities and villages. Although only 8% of Michigan's roads fall under MDOT jurisdiction, such roads carry over 53% of the total vehicular miles traveled in the State.

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

All the operation and maintenance expenditures for the State Trunk Line System as well as the general operating costs of MDOT related to State Trunk Line Fund operations are funded from the State Trunk Line Fund after payment of debt service on any outstanding State Trunk Line Fund bonds and the State's share of debt service on any additional State Trunk Line Fund bonds and after transfers of specified amounts to the Transportation Economic Development Fund and the Railroad Grade Crossing Account. Operation and maintenance expenditures for the State Trunk Line System were approximately $287.6 million in the fiscal year ended September 30, 2015. Operation and maintenance includes such practices as plowing snow, resealing, patching, guardrail and shoulder repair, and other work required on a frequent basis to assure the continued safe operation of the State Trunk Line System.

Moneys remaining in the State Trunk Line Fund after payment of debt service on any outstanding State Trunk Line Fund bonds, operation and maintenance costs, and general operating costs, are used to pay for capital improvements to the State Trunk Line System and the State's matching share of federally funded State Trunk Line System construction projects. In the fiscal year ended September 30, 2015, MDOT expended approximately $72.7 million of State Trunk Line Fund moneys and $336.8 million of General Fund moneys for capital improvements to the State Trunk Line System. During the fiscal year ended September 30, 2015, the federal government contributed $797.0 million to capital improvement projects.

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

Michigan Road Funding Package Enacted in 2015

On November 10, 2015, the Governor signed into law multiple bills that provide for additional transportation revenue in Michigan. 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.

Starting in January 2017, an additional $600 million annually will be dedicated for transportation purposes in Michigan. Approximately one-third will flow to MDOT and two-thirds to counties, cities and villages in Michigan. The $600 million will be 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), and by approximately $200 million generated from a 20% increase in vehicle registration fees.

Additionally, the legislation provides for the State's General Fund to make transfers for transportation purposes (which will be allocated among the Department, counties, cities and villages) in the amounts of $150 million in 2019, $325 million in 2020, and $600 million in 2021 and subsequent years.

THE REFUNDING BONDS

Description of the Refunding Bonds

The Refunding Bonds will be dated and bear interest from their date of delivery. Interest on the Refunding Bonds shall be payable on March 15, 2017 and semiannually each September 15 and March 15 thereafter until maturity. Interest on the Refunding Bonds shall be computed using a 360-day year with twelve 30-day months, and the Refunding 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.

The Refunding Bonds will be issued in fully registered form in denominations of $5,000, or integral multiples thereof not exceeding the aggregate principal amount of the Refunding Bonds maturing at any one time.

Purchases of Refunding Bonds will be made in book-entry-only form as described under "THE REFUNDING 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 Refunding Bonds, the transfer of interests in the Refunding Bonds shall be the sole responsibility of the Direct Participants, the Indirect Participants and the Beneficial Owners (each as defined herein). The State shall have no responsibility with respect to such transfers.

The principal of the Refunding Bonds is payable at maturity upon presentation at the principal office of the Trustee. Interest on the Refunding Bonds shall be payable when due by the Trustee 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 Refunding Bonds

So long as Cede & Co., as nominee for DTC, is the registered owner of the Refunding Bonds, beneficial ownership interests in the Refunding 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 Refunding 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 Refunding Bond to the Trustee for cancellation,

together with a duly executed instrument of transfer in a form approved by the Trustee. Whenever any Refunding Bond is surrendered for transfer or exchange the Trustee shall authenticate and deliver a new Bond, in like aggregate principal amount, tenor, interest rate and maturity. The Trustee 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 Optional Redemption Prior To Maturity

The Refunding Bonds are not subject to optional redemption prior to maturity.

DTC; Book-Entry-Only System

DTC will act as securities depository for the Refunding Bonds. The Refunding 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 Refunding 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 Refunding Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Refunding Bonds on DTC's records. The ownership interest of each actual purchaser of each Refunding 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 Refunding 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 Refunding Bonds, except in the event that use of the book-entry system for the Refunding Bonds is discontinued.

To facilitate subsequent transfers, all Refunding 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 Refunding 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 Refunding Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Refunding 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 Refunding Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Refunding Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Refunding Bond documents. For example, Beneficial Owners of Refunding Bonds may wish to ascertain that the nominee holding the Refunding 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 Refunding 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 Refunding Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Refunding 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 Trustee, 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 Trustee, 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 Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Refunding Bonds at any time by giving reasonable notice to the State or the Trustee. 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 TRUSTEE 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 TRUSTEE TO DETERMINE WHETHER DTC IS OR WILL BE FINANCIALLY OR OTHERWISE CAPABLE OF FULFILLING ITS OBLIGATIONS. NEITHER THE STATE NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS, INDIRECT PARTICIPANTS OR THE PERSONS FOR WHICH THEY ACT AS NOMINEES WITH RESPECT TO THE REFUNDING BONDS, OR FOR ANY PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST PAYMENT THEREON.

PLAN OF REFUNDING

General

The bonds to be refunded (collectively, the "Bonds To Be Refunded") consist of the following outstanding bonds:

State of Michigan Grant Anticipation Bonds, Series 2007

Maturity	Principal Amount	CUSIP[1]
09/15/2018	$9,990,000	594610 S99
09/15/2019	10,545,000	594610 T23
09/15/2020	56,390,000	594610 T31
09/15/2021	33,375,000	594610 T49
09/15/2022	35,160,000	594610 T56
09/15/2023	45,500,000	594610 T64
09/15/2024	47,045,000	594610 T72
09/15/2025	49,515,000	594610 T80
09/15/2026	62,505,000	594610 T98
09/15/2027	65,785,000	594610 U21

State of Michigan Grant Anticipation Bonds, Series 2009B
(Taxable – Build America Bonds – Direct Payment)

Maturity	Principal Amount	CUSIP[1]
09/15/2027	$281,905,000	594610 5T0

The State of Michigan Grant Anticipation Bonds, Series 2007 described above are referred to herein as the "Series 2007 Bonds To Be Refunded". Additionally, the State of Michigan Grant Anticipation Bonds, Series 2007 maturing in the years 2016 and 2017 are collectively referred to as the "Unrefunded Series 2007 Bonds".

[1] Copyright, American Bankers Association. CUSIP data herein are provided by Standard & Poor's, CUSIP Service Bureau, a part of McGraw-Hill Financial. The CUSIP numbers listed above are being provided solely for the convenience of Bondholders only at the time of issuance of the Bonds and the State does not make any representation with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

The State of Michigan Grant Anticipation Bonds, Series 2009B (Taxable – Build America Bonds – Direct Payment) described above are referred to herein as the "Series 2009B Bonds".

Advance Refunding of the Series 2007 Bonds To Be Refunded

As of the date of this Official Statement, the principal amount of the Series 2007 Bonds To Be Refunded is $415,810,000. A portion of the proceeds of the Refunding Bonds will be used to provide funds to refund the Series 2007 Bonds To Be Refunded and to pay the costs of issuance of the Refunding Bonds, including costs incidental to the refunding of the Series 2007 Bonds To Be Refunded. The Series 2007 Bonds To Be Refunded are being refunded to produce debt service savings.

Pursuant to the terms of the Escrow Deposit Agreement for the Series 2007 Bonds To Be Refunded (the "Series 2007 Escrow Agreement") to be entered into with U.S. Bank, National Association (the "Escrow Agent"), the refunding of the Series 2007 Bonds To Be Refunded will be effected by MDOT depositing with the Escrow Agent in accordance with the Series 2007 Escrow Agreement a portion of the proceeds of the Refunding Bonds which will be used to purchase on the issuance date of the Refunding Bonds certain noncallable direct obligations of the United States or obligations the principal of and interest on which are fully and uncondionally guaranteed by the United States (the "Government Obligations"). Such Government Obligations will bear interest at such rates and will be scheduled to mature at such times and in such amounts so that, when paid in accordance with their respective terms, sufficient moneys will be available therefrom (together with any uninvested cash) to pay (i) the interest due on the Series 2007 Bonds To Be Refunded to and including September 15, 2017, which is the first optional redemption date for the Series 2007 Bonds To Be Refunded, and (ii) the redemption price of the Series 2007 Bonds To Be Refunded on September 15, 2017. Principal of and interest on the Government Obligations in the Series 2007 Escrow Agreement, together with any uninvested cash, will be held in trust and used solely for the payment of the redemption price of and interest on the Series 2007 Bonds To Be Refunded, subject only to the payment to MDOT in accordance with the Escrow Agreement of any amounts not required for such purpose.

The Series 2007 Bonds To Be Refunded will be legally defeased upon issuance of the Refunding Bonds, and accordingly the lien of the Trust Agreement with respect to the Series 2007 Bonds To Be Refunded will be released. The Unrefunded Series 2007 Bonds are not being refunded and will remain outstanding Grant Anticipation Obligations secured as provided by the Trust Agreement.

On or prior to the date of delivery of the Refunding Bonds, Robert Thomas, CPA LLC, independent certified public accountants, will deliver a report attesting to the mathematical accuracy of the computations contained in the schedules prepared by the Underwriters on behalf of the State relating to the adequacy of the Government Obligations and cash being deposited in accordance with the Series 2007 Escrow Agreement. See "VERIFICATION OF MATHEMATICAL COMPUTATIONS - Advance Refunding of the Series 2007 Bonds To Be Refunded."

Crossover Refunding of the Series 2009B Bonds

As of the date of this Official Statement, the principal amount of Series 2009B Bonds is $281,905,000. A portion of the proceeds of the Refunding Bonds will be used to provide funds to provide for a crossover refunding of the Series 2009B Bonds and to pay the costs of issuance of the Refunding Bonds, including costs incidental to the crossover refunding of the Series 2009B Bonds. The Series 2009B Bonds are being refunded to produce debt service savings.

Pursuant to the terms of the Escrow Deposit Agreement for the Series 2009B Bonds (the "Series 2009B/2016 Escrow Agreement") to be entered into with U.S. Bank, National Association (the "Escrow Agent"), the crossover refunding of the Series 2009B Bonds will be effected by MDOT depositing with

the Escrow Agent in accordance with the Series 2009B/2016 Escrow Agreement a portion of the proceeds of the Refunding Bonds which will be used to purchase on the issuance date of the Refunding Bonds certain noncallable Government Obligations or certain non-callable obligations issued by federal-government sponsored enterprises (together with the Government Obligations, the "Series 2009B/2016 Escrow Agreement Investments"). Such Series 2009B/2016 Escrow Agreement Investments will bear interest at such rates and will be scheduled to mature at such times and in such amounts so that, when paid in accordance with their respective terms, sufficient moneys will be available therefrom (together with any uninvested cash) to pay (i) a portion of the interest due on the Refunding Bonds to and including September 15, 2018 (which shall be in an amount equal to the interest due on the portion of the Refunding Bonds issued to provide for the crossover refunding of the Series 2009B Bonds to and including September 15, 2018), and (ii) the redemption price of the Series 2009B Bonds on September 15, 2018, which is the first optional redemption date for the Series 2009B Bonds. Principal of and interest on the Series 2009B/2016 Escrow Agreement Investments in the Series 2009B/2016 Escrow Agreement, together with any uninvested cash, will be held in trust and used solely for the payment of the redemption price of the Series 2009B Bonds and a portion of the interest due on the Refunding Bonds to and including September 15, 2018, subject only to the payment to MDOT in accordance with the Escrow Agreement of any amounts not required for such purpose.

The Series 2009B Bonds will not be legally defeased upon issuance of the Refunding Bonds and will remain outstanding Grant Anticipation Obligations secured as provided by the Trust Agreement until redeemed on September 15, 2018 in accordance with the terms of the Series 2009B/2016 Escrow Agreement.

On or prior to the date of delivery of the Refunding Bonds, Robert Thomas, CPA LLC, independent certified public accountants, will deliver a report attesting to the mathematical accuracy of the computations contained in the schedules prepared by the Underwriters on behalf of the State relating to the adequacy of the Series 2009B/2016 Escrow Agreement Investments and cash being deposited in accordance with the Series 2009B/2016 Escrow Agreement. See "VERIFICATION OF MATHEMATICAL COMPUTATIONS – Crossover Refunding of the Series 2009B Bonds."

ESTIMATED SOURCES AND USES OF FUNDS

The Refunding Bonds are being issued by the State to provide funds, which, together with other available moneys, if any, will be used to make deposits in accordance with the Series 2007 Escrow Agreement and the Series 2009B/2016 Escrow Agreement in order to accomplish the refunding of the Bonds To Be Refunded as described under "PLAN OF REFUNDING", to pay the costs of refunding of the Bonds To Be Refunded and to pay the costs of issuance of the Refunding Bonds.

Sources	
Par Amount of Refunding Bonds	$607,110,000.00
Net Original Issue Premium	142,601,606.05
Total Sources	$749,711,606.05
Uses	
Series 2007 Escrow Agreement Deposit	$445,700,613.02
Series 2009B/2016 Escrow Agreement Deposit	302,050,649.22
Costs of Issuance[(1)]	1,960,343.81
Total Uses	$749,711,606.05

[(1)] To be used for costs, including underwriters' discount, related to the issuance of the Refunding Bonds and for costs in connection with the refunding of the Bonds To Be Refunded.

INVESTMENT CONSIDERATIONS

The State's ability to pay principal of and interest on the Refunding Bonds depends upon numerous factors, many of which are not subject to the control of the State or the Department. The following is a discussion of certain risk factors that should be considered in evaluating an investment in the Refunding Bonds. This discussion does not purport to be either comprehensive or definitive. The order in which risks are presented is not intended to reflect either the likelihood that a particular event will occur or the relative significance of such an event. Moreover, there are other risks associated with an investment in the Refunding Bonds in addition to those set forth below.

Limited Obligation Bonds

The Refunding Bonds are not general obligations of the State, its agencies, instrumentalities or political subdivisions. The principal of and interest on the Refunding Bonds are payable from and are secured by an irrevocable pledge of the State Share (as defined herein) of all federal grants received each year by the State under the Federal-Aid Highway Program as more fully described in this Official Statement and by moneys in the Note Payment Fund. The pledge of the State Share is made on a parity basis with the security pledged for all of the State's Grant Anticipation Obligations, including the Unrefunded Series 2007 Bonds, the Series 2009B Bonds and any Additional Bonds or Notes that may be issued under the Trust Agreement. Additionally, a portion of the interest due on the Refunding Bonds to and including September 15, 2018 will be payable by funds in the 2009B/2016 Escrow Agreement. **Payment of the principal of and interest on the Refunding Bonds from the State Share shall be subject to an appropriation each year by the State Legislature in an amount sufficient to make such payments.** See "SECURITY FOR THE REFUNDING BONDS."

Factors Affecting Federal Transportation Funds

A number of factors could impact the State Share of the Federal Highway Reimbursements (as defined herein), including but not limited to the following:

Future Reauthorizations, Extensions and Changes in Law.

Federal transportation funds have historically been authorized by Congress under multiple-year authorizing legislation. The Federal-Aid Highway Program ("FAHP") must be reauthorized periodically by Congress, and historically has been authorized under multi-year authorizing legislation. The most recent legislation, entitled the "Fixing America's Surface Transportation Act," or the FAST Act, enacted December 4, 2015, reauthorizes the FAHP through September 30, 2020. Prior to the enactment of the FAST Act, the last multi-year authorization of the FAHP was the "Moving Ahead for Progress in the 21st Century Act," or MAP-21, which provided funding through September 30, 2014. Changes in law, regulation or policy or a decrease in federal revenues may materially adversely affect the availability of the State Share of Federal Highway Reimbursements. See "INFORMATION CONCERNING THE FUNDING OF FEDERAL-AID HIGHWAYS."

In periods between multi-year authorizations, Congress historically has used short-term authorizations to fund the FAHP. For example, between August 2014 and December 2015, Congress enacted five short-term authorizations to provide continued funding for the FAHP. Although short-term authorizations have been enacted in the past, there can be no assurance that any such short-term authorizations (or multi-year authorizations) will be enacted upon the expiration of the FAST Act or any subsequent authorization of the FAHP, or that, if continued, such provisions will be sufficient to ensure that Federal Highway Reimbursements will continue to be received in sufficient amounts to pay debt service on the Refunding Bonds.

Projected Shortfalls in the Highway Trust Fund.

In response to projected Federal Highway Trust Fund ("HTF") shortfalls by the Congressional Budget Office ("CBO") and other governmental entities, in the past, Congress has transferred funds to the HTF. Since 2008, Congress has transferred billions of dollars from the federal general fund to the HTF to avoid shortfalls. Most recently, and pursuant to the FAST Act, Congress authorized the transfer of $70 billion from the general fund of the Treasury to the HTF. However, the CBO projects that beginning in federal fiscal year 2021, revenues credited to the highway and transit accounts of the HTF will be insufficient to meet the fund's obligations. CBO projects that over the five years following the expiration of the FAST Act, from federal fiscal year 2021 through federal fiscal year 2025, HTF receipts will fall $96 billion short of the amount needed to fund the FAHP at the current level, adjusted only for projected inflation.

In recent years, the congressional budget process has been contentious and has created a level of uncertainty regarding budget-related legislation. Therefore, although Congress has taken legislative action in the past to address projected shortfalls in the HTF, there can be no assurance that additional legislative action will be taken by Congress to address future shortfalls or that any such action taken will be sufficient to ensure federal funding will be sufficient for the FAHP. It is possible that, without further legislative action, the long-term viability of the HTF could be adversely impacted – jeopardizing the availability of Federal Highway Reimbursements to pay debt service on the Refunding Bonds.

U.S. Treasury Offset Program.

The U.S. Treasury Offset Program ("TOP") is administered pursuant to the Debt Collection Improvement Act of 1996 and the regulations related thereto. The TOP requires the U.S. Treasury and other disbursing federal agencies to collect delinquent debts owed to the United States. Under the TOP, if a "person" is in debt to the United States, then federal agency payments may be offset through the TOP by the amount of the debt owed and up to the amount of the scheduled payment. "Person" is defined to include a state or local government. Administrative offset under the TOP is precluded only when another law specifically prohibits the offset. Payments of Federal Highway Reimbursements from FHWA to the State could be subject to the TOP if the State owes any delinquent debts to the United States. In the last five years, no payments from FHWA to the State have been delayed or withheld as a result of the TOP. No assurances can be given on whether any future payments of Federal Highway Reimbursements to the State will not be delayed or withheld as a result of the TOP. Any such delay or withholding could affect the future availability of Federal Highway Reimbursements to pay debt service on the Refunding Bonds.

Default and Remedies

The Trust Agreement does not provide for acceleration of the Refunding Bonds if an Event of Default occurs. The rights of the owners of the Refunding Bonds and the enforceability of the Refunding Bonds 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 further be subject to the exercise of judicial discretion in accordance with general principles of equity, including those relating to equitable subordination.

SECURITY FOR THE REFUNDING BONDS

Act 51 authorizes the State to issue bonds and notes in anticipation of the receipt of grants from the United States of America or any agency or instrumentality thereof and to pledge the proceeds of such grants and investment earnings thereon for the payment of the principal, interest and redemption premiums on such notes. The State annually receives grant proceeds, federal highway reimbursements and other federal highway assistance from the federal government under the Federal Aid-Highway Program established under Chapter 1 of Title 23, United States Code, ("Title 23") or any successor legislation thereto ("Federal Highway Reimbursements"), a portion of which (the "State Share") is available for use by the Department in connection with highway and bridge projects administered by the Department.

The State first issued grant anticipation notes under the Original Trust Agreement in 2001. As of the date of the issuance of the Refunding Bonds, the following obligations will be outstanding under the Trust Agreement: the Unrefunded Series 2007 Bonds, the Series 2009B Bonds and the Refunding Bonds. The pledge of the security for the Refunding Bonds is on a parity basis with the security pledged for the Unrefunded Series 2007 Bonds, the Series 2009B Bonds and any Additional Bonds or Notes issued from time to time under the Trust Agreement.

The Refunding Bonds are not payable from grants related to any specific projects, but rather are payable from and secured by an irrevocable pledge of all moneys constituting the State Share of the Federal Highway Reimbursements received each year by the State and from moneys in the Note Payment Fund established under the Trust Agreement. Additionally, a portion of the interest due on the Refunding Bonds to and including September 15, 2018 will be payable by funds in the 2009B/2016 Escrow Agreement. The amount of funds available to the State is subject to authorization and periodic reauthorization by Congress and to approval on an annual basis by the United States Secretary of Transportation. As such, the State, as well as other state recipients of such highway reimbursements, compete, in reauthorization processes, for such funds with other national funding priorities. Title 23

specifically provides that a state's eligibility for funds does not create a commitment or obligation on the part of the United States to provide for the payment of principal of or interest on bonds or notes. While there can be no assurance that sufficient funds will be available to the State under Title 23 to pay the debt service on the Refunding Bonds, Federal Highway Reimbursements have been adequate historically to meet the debt service requirements on the Refunding Bonds and are currently expected by the State to be adequate to continue to meet the debt service on the Refunding Bonds. See "INFORMATION CONCERNING THE FUNDING FOR FEDERAL-AID HIGHWAYS."

The Trust Agreement pledge of moneys for the payment of the principal of and premium, if any, and interest on the Refunding Bonds and any pledge of such moneys for the payment of bonds or notes subsequently issued on a parity lien basis with the Refunding Bonds, under the conditions specified in the Trust Agreement, shall be a first charge or lien, without preference of one over the other, against the State Share moneys so received. **Payment of the principal of and premium, if any, and interest on the Refunding Bonds from the State Share of Federal Highway Reimbursements shall be subject to an appropriation each year by the State Legislature in an amount sufficient to make such payments.** Under federal law, State Share funds can only be used for purposes permitted by the Federal-Aid Highway Program. The Commission and the Director have covenanted in the Resolution to take all actions within their control to cause the required annual appropriation to be included each year in the Department's appropriations legislation. The State has never failed to make an annual appropriation to make debt service payments on the Commission's transportation bonds and notes.

Under the Resolution, all moneys constituting the State Share shall be received by the State Treasurer and credited to the Federal Grant Proceeds Subfund (as defined herein) in the State Trunk Line Fund. So long as, and to the extent that, sufficient funds are available in the Federal Grant Proceeds Subfund, and so long as, and to the extent that, sufficient of such funds are appropriated each year for the payment of principal, of premium, if any, and interest on the Refunding Bonds, the State Treasurer shall transfer from the Federal Grant Proceeds Subfund to the Trustee for deposit in the Note Payment Fund held by the Trustee under the Trust Agreement, sufficient funds (net of any funds then on deposit in the Note Payment Fund and any funds being transferred to the 2016 Note Payment Account of the Note Payment Fund from the Series 2009B/2016 Escrow Agreement) to pay, when due, whether by maturity, redemption prior to maturity, or otherwise, the principal, premium, if any, and interest on the Refunding Bonds. Under the Trust Agreement, moneys in the Note Payment Fund shall be applied to pay the principal of, premium, if any, and interest on the Refunding Bonds as they become due.

The Refunding Bonds are payable solely from the sources of funds specified above, and are not general obligations of the State, its agencies, instrumentalities and political subdivisions.

Enforceability of the Refunding Bonds, the Trust Agreement 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 further be subject to the exercise of judicial discretion in accordance with general principles of equity, including those relating to equitable subordination.

INFORMATION CONCERNING THE FUNDING OF FEDERAL-AID HIGHWAYS

The Federal-Aid Highway Program

The FAHP is an "umbrella" term that encompasses most of the federal programs providing highway funds to the states, such as the National Highway Performance Program, Surface Transportation Block Grant Program, and the Highway Safety Improvement Program. The FHWA is the federal agency within the U.S. Department of Transportation responsible for administering the FAHP. The FAHP is financed from the transportation user-related revenues deposited in the Federal Highway Trust Fund. The

primary source of revenues in the Federal Highway Trust Fund is derived from the federal excise taxes on motor fuels. Other taxes include excise taxes on tires, trucks and trailers, and truck use taxes.

The FAHP is a reimbursement program. Once projects are approved by FHWA and funds are obligated, the federal government makes payments to the states for costs as they are incurred on projects, which may include debt service on obligations issued to finance a project. With few exceptions, the federal government does not pay for the entire cost of a federal-aid project. Federal reimbursements are typically to be matched with state and/or local funds. The maximum federal share (the "Federal Share") is specified in the federal legislation authorizing the program. Most projects have an 80% Federal Share.

Although FHWA provides funding for eligible highway projects, federal-aid highways are under the administrative control of the state or local government responsible for their operation and maintenance. Funding under the FAHP is provided to states through a multi-step funding cycle that includes: (1) multi-year authorization by Congress of the funding for various highway programs; (2) apportionment and allocation of funds to the states each federal fiscal year according to statutory formulas or, for some funding categories, through administrative action; (3) obligation of funds, which is the federal government's contractual obligation to pay or reimburse states for the Federal Share of a project's eligible costs; (4) program implementation which covers the programming and authorization phases; and (5) reimbursement by the federal government of the eligible project costs. Each of these steps is described in more detail under "INFORMATION CONCERNING THE FUNDING OF FEDERAL-AID HIGHWAYS – Federal-Aid Funding Procedures" below.

Title 23, entitled "Highways," includes most of the laws that govern the FAHP arranged systematically or codified. Generally, Title 23 embodies those substantive provisions of highway law that Congress considers to be continuing and which need not be reenacted each time the FAHP is reauthorized. Periodically, sections of Title 23 may be amended or repealed through surface transportation acts.

The terms and conditions of participation in the FAHP are subject to change at the discretion of Congress, and there can be no assurance that the laws and regulations now governing the FAHP will not be changed in the future in a manner that adversely affects the ability of the State to receive adequate Federal Highway Reimbursements to pay debt service on the Refunding Bonds.

Reauthorization and Extensions

The FAHP must be periodically reauthorized by Congress, and has historically been authorized under multi-year authorizing legislation. The most recent legislation, the FAST Act, reauthorizes the FAHP through September 30, 2020. Prior to the enactment of the FAST Act, the last multi-year authorization of the FAHP was MAP-21, which provided funding through September 30, 2014. In periods between multi-year authorizations, Congress historically has used short-term authorizations to fund the FAHP. For example, between August 2014 and December 2015, Congress enacted five short-term authorizations to provide continued funding for the FAHP.

Although short-term authorizations have been enacted in the past, there can be no assurance that any such short-term authorizations (or multi-year authorizations) will be enacted upon the expiration of the FAST Act or any subsequent authorization of the FAHP.

The Federal Highway Trust Fund

The HTF provides the primary funding for the FAHP. Funded by a collection of federally-imposed motor vehicle user fees, primarily fuel taxes, the HTF is a fund established by law to hold dedicated highway-user revenues that are used for reimbursement of the state's cost of eligible

transportation projects (which may include debt service on obligations issued to finance a federal-aid project), including highway projects. The HTF is composed of two accounts: the Highway Account, which funds highway and intermodal programs, and the Mass Transit Account. The Highway Account receives approximately 85% of gasoline tax revenues and 88% of diesel fuel tax revenues, with the remaining share of such revenues deposited in the Mass Transit Account.

Federal gasoline excise taxes are the largest revenue source for the HTF. The majority of these tax revenues, including 15.44 cents per gallon out of the current 18.4 cents per gallon tax, go to the Highway Account. The following table shows annual historic and projected HTF collections in the Highway Account for the federal fiscal years 2006 through 2017.

Table 1
Receipts into the Highway Account of the Highway Trust Fund
Federal Fiscal Years 2006-2017

2006	$33,701,603,000[(1)]	2012	$35,142,865,213[(1)]
2007	34,309,926,000[(1)]	2013	31,800,259,125[(1)]
2008	33,532,451,000[(1)]	2014	34,066,103,936[(1)]
2009	30,126,399,000[(1)]	2015	35,740,259,248[(1)]
2010	30,149,877,480[(1)]	2016	36,000,000,000[(2)]
2011	31,960,681,799[(1)]	2017	37,000,000,000[(2)]

(1) Excludes interest on balances.

(2) Projected average annual receipts provided by CBO, Projections of Highway Trust Fund Accounts under CBO's January 2016 Baseline.

Source: Congressional Budget Office and Federal Highway Administration Table FE-1.

The imposition of the taxes that are dedicated to the HTF, as well as the authority to place the taxes in the HTF and to expend moneys from the HTF, all have expiration dates which must be extended periodically. The life of the HTF has been extended several times since its inception, most recently by the FAST Act. The FAST Act extends the imposition of taxes as well as the transfer of the taxes to the HTF through September 30, 2022. Expenditures from the HTF are authorized through September 30, 2020.

In 2005 Congress enacted a surface transportation authorization bill called the Safe, Accountable, Flexible, Efficient, Transportation Equity Act: A Legacy for Users (SAFETEA-LU). In SAFETEA-LU, Congress began the practice of authorizing the investment of more federal funding than was projected to be deposited into the HTF through the transportation users fees noted above. For the first several years, the amount of authorized funding that exceeded available revenue was paid for by drawing down the balance in the HTF. Within a few years, the balance in the HTF could no longer support the higher funding level, and in 2008 Congress began the practice of making periodic transfers from other federal accounts into the HTF. Since 2008, Congress has enacted seven different laws to transfer additional funds in the HTF. A total of $3.7 billion has been transferred from the Leaking Underground Storage Tank Fund and $140 billion has been transferred from the General Fund into the HTF. Some of the General Fund transfers have been offset or "paid for" by changes in non-transportation-related taxes and fees and some have not. These transfers demonstrate a commitment from Congress to the federal transportation program and its reluctance to reduce the level of funding that supports investments in the system.

Based on a CBO report dated December 2, 2015, the FAST Act is projected to reduce budget deficits in the HTF by $71 billion over the federal fiscal year 2016 to 2025 period, mostly due to the transfer to the HTF in December 2015 of $70 billion, largely from the general fund of the U.S. Treasury. Implementing the major provisions of the FAST Act is expected to result in additional discretionary spending totaling $201 billion over the period from federal fiscal year 2016 through federal fiscal year 2020, with spending from the HTF in that period expected to total $280 billion, and revenues and interest credited to the HTF over that period expected to amount to $208 billion.

Although the user taxes that fund the HTF will continue to be collected and allocated to the HTF under the FAST Act, and despite the $70 billion transfer to the HTF provided for by the FAST Act, the HTF faces projected revenue shortfalls in the future. Because the primary source of funds in the HTF is federal excise taxes on motor fuels, declines in total vehicle miles traveled in conjunction with the increasing fuel efficiency of automobiles and trucks in the United States could result in the HTF receiving less revenue from gasoline and diesel sales. The CBO, in its Budget and Economic Outlook: 2016 to 2026, projects that the HTF will be able to meet all obligations through federal fiscal year 2020, but that the HTF balance will be exhausted in federal fiscal year 2021. Under current federal law, a positive balance is required to be maintained in the HTF to ensure that prior commitments for distribution of federal revenues can be met. Unless Congress enacts a measure to address revenue generation for the HTF, the HTF will face another revenue shortfall when the FAST Act expires, which may impact the availability of Federal Highway Reimbursements to pay debt service on the Series Refunding Bonds.

Recent Multiyear Authorization Bills

As mentioned above, key elements in the FAHP are multiyear authorization bills that establish or continue highway funding and programs. The first of these acts was passed by Congress in 1916, and the FAHP has been continued by the passage of successive authorization bills ever since. Recent authorization bills are described below.

SAFETEA-LU.

SAFETEA-LU, which was signed into law in August of 2005, authorized federal funding for surface transportation programs for federal fiscal years 2005 through 2009, and was subsequently extended several times to continue programs and funding through federal fiscal year 2012. This authorization bill increased funding for federal transportation programs by more than 31% over the funding levels contained in the prior authorization bill (known as TEA-21). A few highlights of SAFETEA-LU are listed below:

- Michigan's donor state status was improved through an increase in the minimum guaranteed return on taxes Michigan motorists send to Washington, D.C. The minimum guaranteed return increased under SAFETEA-LU to 91.5% (from 90.5%) in 2007, and increased again to 92% in 2008. This provided additional revenue for highway projects in Michigan.

- As the name suggests, one of the primary focuses of SAFETEA-LU is safety. Funding for safety programs were nearly double the amounts under TEA-21. In addition, the legislation required states to work with major state and local safety stakeholders to implement a statewide safety plan, and empowered states with new flexibility in an effort to significantly improve transportation safety.

- A new program was created to direct funding to the nation's international border crossings. With some of the busiest international commercial and passenger traffic, Michigan benefited from this program as the Department worked towards improving the safety, security and efficiency of these international border crossings.

- This legislation included enhanced opportunities for innovative finance to help leverage and maximize all available funding. SAFETEA-LU further expanded available resources from non-traditional sources such as private activity bonds.

MAP-21.

SAFETEA-LU was replaced by MAP-21, which was signed into law on July 6, 2012. MAP-21 authorized federal programs and funding for only two federal fiscal years (2013 and 2014) but was subsequently extended through the end of the 2015 fiscal year. At the time the legislation was enacted Congress was struggling to identify a long-term solution to the financial challenges facing the HTF (as noted above). This was reflected in the funding levels authorized in MAP-21, which were not increased during the period covered by the bill. Recognizing the financial difficulties of the HTF, many stakeholders believed the fact that Congress was able to find enough new resources to add to the HTF to keep from cutting the program showed its commitment to the FAHP. The policy changes included in MAP-21 have been termed "transformational" by many of these same stakeholders. Some of the changes included in MAP-21 are listed below:

- The bill established a new national system for measuring performance to help better focus in investments, and to enhance transparency and accountability. The new performance measures, most of which are still under development by USDOT are to address interstate, national highway system and bridge conditions, interstate and national highway system performance, the number and rate of serious injuries and fatalities, congestion, mobile source emissions, and freight movement on the interstate.

- MAP-21 transformed the structure of the highway program through a significant consolidation of programs. More than 100 federal programs (highway and transit) were impacted by this consolidation. All specific project eligibilities were maintained through this program consolidation. The combination of fewer programs and the same overall project eligibilities adds up to increased flexibility for states in the use of federal funding.

- MAP-21 included a significant focus on freight and required the identification of a new freight network and the creation of a national freight strategic plan. States are also encouraged to form their own freight advisory committees and to develop their own freight plans. States that develop their own plans and fund projects consistent with the plan have been rewarded with an increase in the Federal Share for those projects.

FAST Act.

The FAST Act was signed into law on December 4, 2015, and it authorizes federal highway, highway safety, transit, and rail programs for five years from federal fiscal years 2016 through 2020. The FAST Act represents the first long-term comprehensive surface transportation legislation since the SAFETEA-LU Act in 2005. The FAST Act authorizes a combined total of $305 billion from both the Highway Trust Fund and the General Fund. It provides $225 billion in HTF contract authority over five years for the FAHP, increasing funding from $41 billion in 2015 to $47 billion in 2020.

- Two new programs are created to focus resources on addressing the role of the nation's transportation system in supporting freight movements. One is an apportioned program, called the National Highway Freight Program, that will provide funding to all states through a formula. Michigan is expected to receive $30 million annually to invest in critical freight projects. The second new program is a discretionary program where funding will be awarded competitively by USDOT to large projects of national or regional significance.

- A new mechanism is created that will automatically make new funding available to states if Congress approves legislation to deposit additional money into the HTF. There is wide spread recognition that the level of funding authorized in the FAST Act is insufficient to meet the growing demands placed on the nation's surface transportation system. If Congress can coalesce around a source of funding for increased investment, this mechanism may provide that any new funding can be deployed to have an impact in the near term.

Importantly, the FAST Act creates a new program to fund projects that test alternatives to motor fuel taxes as the primary source of support for investments in transportation. A significant amount of research had been conducted (and remains underway) to study and test mileage based user fees as an alternative to motor fuel taxes. Also, increased use of tolling, vehicle registration fees, and continued reliance on the General Fund are alternatives that have merited attention. The end result of the testing done through this program is expected to inform and equip Congress as they consider in the next surface transportation authorization bill how best to pay for continued federal investments in transportation.

There can be no assurance that Congress will reauthorize any funding under Title 23 after the expiration of the authorizations under the FAST Act, that any reauthorization will be at any particular level or that Congress will not change or rescind any appropriation or authorization contained in the FAST Act.

Federal Aid Funding Procedures

The FAHP continues to enable the construction of an extensive national transportation system through reimbursement of a large percentage of state expenditures for approved highway projects. The financial assurance provided by the FAHP is unusual among federal programs in that:

(a) the FAHP is funded by dedicated revenues, from a user-tax source, deposited in a special trust fund (the Highway Trust Fund);

(b) the contract authority of the FHWA is established by a multi-year authorization act rather than through annual appropriation acts; and

(c) contract authority is not at risk during the annual appropriations process (as budget authority is in most other federal programs).

The following summarizes the major steps in funding the Federal-Aid Highway Program.

Authorization.

The first and most important step in funding the FAHP is the development and enactment of authorizing legislation. Authorizing legislation for highways began with the Federal-Aid Road Act of 1916 and the Federal Highway Act of 1921. These acts provided the foundation for the FAHP as it exists today. Since that time, the FAHP has been continued or renewed through the passage of multi-year authorization acts. Since 1978, Congress has passed highway legislation as part of larger, more comprehensive, multi-year (*i.e.*, four or more years) surface transportation acts.

The authorization act not only shapes and defines programs, but also sets upper limits (authorizations) on the funding for programs and includes provisions related to the operation of the Highway Trust Fund. The current legislative authorization for the FAHP is provided by the FAST Act.

Once Congress has established authorizations, the next step involves how funds are made available to states. Typically, federal programs operate using appropriated budget authority which means that funds, although authorized, are not available until passage of an appropriations act. However, most programs within the FAHP do not require this two-step process. Through what is termed "contract authority" (a special type of budget authority), authorized amounts become available for obligation according to the provisions of the authorization act without further legislative action. For the FAHP, funds authorized for a federal fiscal year are available for distribution through apportionments or allocations. The use of contract authority gives the states advance notice of the level of federal funding at the time an authorization act is enacted, eliminating much of the uncertainty associated with the authorization-appropriation sequence.

The existence of dedicated revenues in the HTF and the existence of multi-year contract authorizations are designed to provide a predictable and uninterrupted flow of reimbursements to the states. The risk of contract authority lapsing between authorizing acts is minimal, since sufficient unobligated balances generally exist that can be used by the states, with the approval of Congress, to cover gaps in funding between multi-year reauthorization acts.

Apportionment and Allocations.

For most components of the FAHP, the authorization acts set the distribution of spending authority among states. The authorized amount for a given federal fiscal year is distributed to the states through apportionments and allocations.

(a) Apportionments. The distribution of funds using a formula provided in law is called an apportionment. Most federal-aid funds are distributed to states through apportionments. Each federal fiscal year, the FHWA has responsibility for apportioning authorized funding for the various highway programs among the states according to formulas established in the authorizing act. Annual apportionments are generally made on the first day of the federal fiscal year.

(b) Allocations. Some categories do not have a legislatively mandated distribution formula. When there are no formulas in law, the distributions of funds are termed "allocations" which may be made at any time during the federal fiscal year. In most cases, allocated funds are divided among states with qualifying projects using general criteria provided by law.

Federal-aid highway apportionments are available to states for use for more than one year. Their availability does not terminate at the end of the federal fiscal year, as is the case with most other federal programs. In general, apportionments are available for three years plus the year that they are apportioned. Consequently, when new apportionments or allocations are made, the amounts are added to a state's carryover apportionments from the previous year. Should a state fail to obligate a year's apportionments within the period of availability (usually a total of four years) specified for a given program, the funds will lapse.

Obligation.

Obligation is the contractual obligation of the federal government to pay, through reimbursement to a state, the Federal Share of an approved project's eligible costs, which may include debt service on obligations issued to finance a project. This process is important to the states because it allows states to award contracts with assurance that the federal government will reimburse its share of incurred costs. Once an obligation is made, the federal government is to reimburse the states when bills or payments become due. Congressional appropriations committees use federal aid highway revenues as a means of balancing the annual level of highway spending with other federal budget priorities. However, Congress places a restriction or "ceiling" on the amount of federal assistance that may be obligated during a

specified time period. The obligation limitation is the amount of authorized funding that Congress allows states to obligate in an individual year. This is a statutory budgetary control that does not affect the apportionment or allocation of funds. Rather, it controls the rate at which these funds can be used.

Once Congress establishes an overall obligation limitation, FHWA distributes Obligation Authority ("OA") to states proportionately based on each state's share of apportioned and allocated revenues. The actual ratio of OA to apportionment and allocations may vary from state to state, since some federal-aid programs are exempt from the obligation limitation. During the federal fiscal year, states submit requests to FHWA to obligate funds, representing the Federal Share of specific projects. As FHWA approves obligation requests, a state's balance of OA is reduced. A state's OA (unlike its apportionments and allocations of authorized funding) must be used before the end of the federal fiscal year for which it is made available; if not, it will be distributed to other states to ensure that the total limitation nationwide will be used. A state may receive additional OA through a redistribution process each year in August which reallocates OA from states unable to fully obligate their share to other states that are able to obligate more than their initial share. Michigan typically uses all of its OA in each federal fiscal year and has in at least each of the last 17 years received additional OA that has been redistributed from other states by FHWA.

Although a ceiling on obligations restricts how much funding may be used in a federal fiscal year, the state has flexibility within the overall limitation to mix and match the type of program funds it requests to be obligated, based on its individual needs, as long as it does not exceed the ceiling in total. Also, the unobligated balance of apportionments or allocations that the state has remaining at the end of any federal fiscal year is carried over for use by that state during the next federal fiscal year.

Highway Program Implementation.

In order to receive federal reimbursements for transportation projects, states are required to develop long-range transportation plans that are based on realistic projections of state and federal funding. Projects are not eligible for federal reimbursements unless they are either directly identified in a long-range plan or consistent with policies and objectives identified in long-range plans and are included in the four-year State Transportation Improvement Plan ("STIP") which lists all projects proposed for financing in that four-year period. The STIP requires FHWA approval.

States are required to follow federal fiscal management procedures as they implement projects that are included in the STIP. These fiscal management processes ensure that the process is managed efficiently from project authorization to actual payment of FHWA reimbursements to the state. Further, states are required to use a detailed accounting system to track project expenditures and reimbursements. In addition, a federal system tracks payments to states.

Fiscal constraint in the FAHP is a requirement of Title 23. Fiscal constraint requires that the STIP only include projects for which funding is committed or reasonably expected to be available. The STIP summarizes current estimated costs for all projects and all phases for the next five years. Total available resources are based on best estimates of Federal Highway Reimbursements and state revenues. Another component of fiscal constraint is a federally required demonstration that the existing (federal) transportation system is adequately maintained.

States may request FHWA approval for eligible projects either through the traditional process or through the advance construction procedure as discussed below:

(a) Traditional Approach. Under the traditional highway funding approach, a state may request obligation of the full Federal Share of the funding for a project at the beginning of the project, concurrent with project authorization. The first step in the fiscal management process

begins when a state requests authorization to use federal funds on a project. The project sponsor submits plans, specifications and estimates (PS&Es) for a project to the FHWA Division Office, and requests that the FHWA approve the use of federal funding for the appropriate Federal Share of the project. The project must be in the STIP and PS&Es must identify the category of federal funding that will be used.

FHWA evaluates the PS&Es to ensure that the project is eligible for federal funding and meets a variety of federal requirements. Provided that all requirements are satisfied, FHWA authorizes federal participation on the project, and obligates the Federal Share of project costs. By obligating the funds, the FHWA makes a commitment to reimburse the state for the Federal Share of eligible project costs. It sets aside the appropriate amount of the state's Obligation Authority, and also sets aside an equivalent amount of apportionments by program. Accordingly, the state must have sufficient OA to cover the level of federal participation it is requesting.

Once authorization for a project has been obtained, the state advertises the project and receives bids. The state awards the contract to the lowest responsive bidder and submits a request to FHWA asking for any necessary adjustments to federal obligations to reflect the actual bid amount. If approved, the amounts agreed to are included in a project agreement which identifies the funds that will be encumbered by the state, and the amount that will be reimbursed by the federal government.

(b) Advance Construction Approach. In recent years, FHWA has implemented several new fiscal management techniques that provide states additional flexibility in managing their OA and cash flow. Advance construction ("AC") and partial conversion of advance construction are two key techniques that facilitate federal-aid project funding.

The AC approach for authorizing projects allows states to finance projects that are eligible for federal aid without obligating the full Federal Share of costs at the beginning of the project. This allows states to begin a project before accumulating all of the OA needed to cover the Federal Share of the project. Similar to the traditional approach, the state submits PS&Es to FHWA and requests project authorization. Under AC, however, FHWA is asked to authorize the project without obligating federal funds. The state then will provide the up-front financing for the project and then at a later date "convert" the AC project to a regular federal-aid project and obligate the full Federal Share of the project costs when sufficient OA is available. At the time of conversion, the state can be reimbursed for the Federal Share of costs incurred up to the point of conversion.

Partial conversion of advance construction is a form of AC in which the state converts, obligates, and receives reimbursement for only a portion of its funding of an AC project in a given year. This removes any requirement to wait until the full amount of Obligation Authority for the project is available. The state can therefore obligate varying amounts for the project's eligible cost in each year, depending on how much of the state's OA is available. Using the technique to partially convert the Federal Share makes bond and note financing more viable and federal-aid funds available to support a greater number of projects. The National Highway System Act of 1995 provided the authority to allow states to partially convert a project.

Reimbursement.

The FAHP is a reimbursement program. As work progresses on a federal-aid highway project, the state will pay the contractor for completed work from available state funds. The state then electronically sends vouchers for the bills to FHWA for review and approval. The FHWA certifying officer certifies the state's claim for payment and certification schedules are submitted to the federal

Treasury Department for payment. The payment for the federal cost of projects on the state's voucher is transferred directly from the Treasury Department to the state's bank account by electronic fund transfer. Generally, the federal payment to a state is made within two days of the submission of the state's electronic bill.

Lapsing of Authorization.

All federal programs must be authorized through enacted legislation that defines the programs and establishes maximum funding levels, and for most programs annual appropriations acts are necessary in order to create budget authority. Indeed, for most federal domestic discretionary programs, a lapsed authorization may have little or no effect on a program, so long as revenues are appropriated. For the FAHP, the consequences of lapsed authorization caused when Congress fails to enact reauthorization legislation are somewhat different. While Congress may pass interim legislation, the existence of contract authority and a dedicated revenue stream means that the FHWA usually can continue to provide OA by administrative action.

In periods which the previous authorizing legislation has expired and the future legislation has yet to be enacted, Congress and/or the FHWA have historically found ways to avoid disruptions to state highway programs and, more importantly, have been able to maintain the flow of federal revenues to states in each instance. For example, TEA-21 expired on September 30, 2003 and until approval of SAFETEA-LU on August 10, 2005, Congress passed several authorization extension acts that reauthorized the FAHP through May 31, 2005 and, through passage of a combination of continuing resolutions and appropriations bills, states were provided OA to ensure the continuation of the FAHP. Following the expiration of SAFETEA-LU on September 30, 2009, Congress passed several authorization extension acts that reauthorized the FAHP through June 30, 2012. The last multi-year authorization of the FAHP prior to the FAST Act was MAP-21, which provided funding through September 30, 2014. Congress used a series of five short-term authorizations to fund the FAHP until passage of the FAST Act on December 4, 2015.

Although these measures have been utilized by Congress and/or FHWA in the past, no assurance can be given that such measures will be enacted in the future to maintain the flow of Federal Highway Reimbursements upon termination of an authorization period. The current authorization period for the FAST Act expires on September 30, 2020.

FEDERAL AID REVENUES

The following table identifies prior and projected Apportionments, Obligation Authority and Actual Receipts of the State Share of Federal Aid Revenues by the Department for federal fiscal years 2005 through 2020, which encompass the three most recent reauthorizations of the FAHP (SAFETEA-LU for federal fiscal years 2005 through 2012, MAP-21 for federal fiscal years 2013 through 2015, and FAST Act for federal fiscal years 2016 through 2020).

Table 2
State Share of Federal Aid Revenues
Apportionments, Obligation Authority and Actual Receipts
for the Michigan Department of Transportation[1]

Federal Fiscal Years 2005 through 2012 under SAFETEA-LU
Federal Fiscal Years 2013 through 2015 under MAP-21
Projected for Federal Fiscal Years 2016 through 2020 under FAST Act

Federal Fiscal Year	Apportionments[2]	Obligation Authority[2]	Actual Receipts[3]
2005[4]	$ 770,400,504	$ 644,814,024	$ 805,330,000
2006[4]	765,750,376	660,764,290	808,409,000
2007[4]	828,532,468	781,131,812	889,896,000
2008[4]	805,918,202	769,543,294	748,660,000
2009[4]	790,886,335	761,400,000	943,917,585
2010[4]	788,673,824	763,749,676	993,377,449
2011[4]	814,279,984	782,813,325	1,091,419,746
2012[4]	758,574,571	755,847,815	776,400,000
2013[5]	764,789,753	809,497,265	880,304,570
2014[5]	762,166,123	770,177,347	876,668,962
2015[5]	763,821,456	764,642,039	907,783,327
2016[6]	800,992,402	786,144,655	n/a[7]
2017[6]	817,012,250	800,906,454	n/a[7]
2018[6]	835,200,891	793,440,846	n/a[7]
2019[6]	854,051,807	811,349,217	n/a[7]
2020[6]	874,505,894	830,780,599	n/a[7]

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(1) Amounts do not include federal American Recovery and Reinvestment Act stimulus dollars.

(2) Source: Michigan Department of Transportation.

(3) Information in this Table for Actual Receipts has been obtained from the State's Comprehensive Annual Financial Report ("CAFR") under the section heading entitled "FINANCIAL SECTION — Combining and Individual Fund Statements and Schedules - Non-Major Funds — Governmental Funds — Special Revenue Funds By Classification — *Special Revenue Funds - Transportation Related* — Combining Statement of Revenues, Expenditures, and Changes in Fund Balances" and was obtained by combining the amounts for federal agencies under "Revenues" for the State Trunk Line Fund and for the Combined State Trunk Line Fund Bond Proceeds Fund. The current CAFR is available at, and the CAFR for subsequent years is expected to be available at, *http://www.michigan.gov/budget/*. Actual receipts may be more or less than Obligation Authority due to the timing of receipt and expenditure of funds.

(4) SAFETEA-LU authorization covered federal fiscal years 2005 through 2012.

(5) MAP-21 authorization covered federal fiscal years 2013 through 2015.

(6) Projected. FAST Act is a five-year authorization that covers federal fiscal year 2016 through 2020. It is anticipated, based on the history of the FHWA, that the authorization will be renewed under a new name for another multi-year period for 2021 and beyond.

(7) Actual receipts not available for future years.

PRO-FORMA DEBT SERVICE COVERAGE

The following table sets forth (i) the debt service on the Unrefunded Series 2007 Bonds and the Series 2009B Bonds, (ii) the debt service on the Refunding Bonds, (iii) the pro-forma debt service coverage on the aggregate debt service of the Unrefunded Series 2007 Bonds, the Series 2009B Bonds, and the Refunding Bonds, (iv) the debt service reductions from the Series 2009B/2016 Escrow Agreement, and (v) the pro forma adjusted debt service and applicable coverage after subtracting the amounts in (iv) above. All debt service coverages are calculated using the amount of Actual Receipts of the State Share as shown in Table 2 for fiscal year 2015.

Table 3
Pro-Forma Debt Service Coverage Table Based on Actual Receipts of State Share in Fiscal Year 2015

(a) Fiscal Year Ending September 30	(b) Actual Receipts of State Share in Fiscal Year 2015	(c) Debt Service on Unrefunded Series 2007 Bonds and Series 2009B Bonds	The Refunding Bonds (d) Principal	The Refunding Bonds (e) Interest	The Refunding Bonds (f) Total Debt Service	(g) Total Debt Service on the Outstanding Bonds and the Refunding Bonds	(h) Debt Service Coverage[1]	(i) Debt Service Reductions from Series 2009B/2016 Escrow Agreement[2]	(j) Adjusted Debt Service on the Outstanding Bonds and the Refunding Bonds[3]	(k) Adjusted Debt Service Coverage[4]
2017	$ 907,783,327	$ 31,461,181	$ -	$ 32,917,571	$ 32,917,571	$ 64,378,752	14.10x	$ 13,123,471	$ 51,255,281	17.71x
2018	907,783,327	21,495,256	5,825,000	30,007,875	35,832,875	57,328,131	15.83x	12,021,500	45,306,631	20.04x
2019	907,783,327	21,495,256	6,155,000	29,708,375	35,863,375	57,358,631	15.83x	21,495,256	35,863,375	25.31x
2020	907,783,327	21,495,256	52,820,000	28,335,000	81,155,000	102,650,256	8.84x	21,495,256	81,155,000	11.19x
2021	907,783,327	21,495,256	28,785,000	26,395,875	55,180,875	76,676,131	11.84x	21,495,256	55,180,875	16.45x
2022	907,783,327	21,495,256	30,290,000	24,919,000	55,209,000	76,704,256	11.83x	21,495,256	55,209,000	16.44x
2023	907,783,327	21,495,256	40,560,000	23,147,750	63,707,750	85,203,006	10.65x	21,495,256	63,707,750	14.25x
2024	907,783,327	84,400,256	95,020,000	19,758,250	114,778,250	199,178,506	4.56x	84,400,256	114,778,250	7.91x
2025	907,783,327	84,403,750	101,505,000	14,845,125	116,350,125	200,753,875	4.52x	84,403,750	116,350,125	7.80x
2026	907,783,327	84,406,244	119,095,000	9,330,125	128,425,125	212,831,369	4.27x	84,406,244	128,425,125	7.07x
2027	907,783,327	84,404,906	127,055,000	3,176,375	130,231,375	214,636,281	4.23x	84,404,906	130,231,375	6.97x

(1) Calculated by column (b) ÷ column (g).

(2) Pursuant to the Series 2009B/2016 Escrow Agreement, the Escrow Agent is to call the Series 2009B Bonds for optional redemption on September 15, 2018. See "PLAN OF REFUNDING – Crossover Refunding of the Series 2009B Bonds."

(3) Calculated by column (g) – column (i).

(4) Calculated by column (b) ÷ column (j).

SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION AND THE TRUST AGREEMENT

The following is a summary of certain provisions of the Resolution and the Trust Agreement. All references to the Resolution and the Trust Agreement are qualified by reference to the Resolution and the Trust Agreement, copies of which are available from the Department or the Trustee. As used herein, "Grant Anticipation Obligations" means all obligations (whether designated as bonds or notes) outstanding under the Trust Agreement from time to time, including the Refunding Bonds, the Unrefunded Series 2007 Bonds, the Series 2009B Bonds, and any Additional Bonds or Notes issued from time to time under the Trust Agreement. Unless otherwise defined in this section, all capitalized terms shall have the definitions assigned to such terms in the Trust Agreement. Additionally, unless the context shall otherwise indicate, any reference herein to the term "note" or "notes," whether capitalized herein or not, and including where such term or terms are used as a prefix, shall also include a "bond" or "bonds."

The Trust Agreement includes various references to "Insurer," "Liquidity Facility" and "Liquidity Facility Provider" and accordingly those references are included in this section "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION AND THE TRUST AGREEMENT." There is no Liquidity Facility with respect to the Refunding Bonds, the Unrefunded Series 2007 Bonds and the Series 2009B Bonds. There is no insurer with respect to the Refunding Bonds and the Series 2009B Bonds. The Unrefunded Series 2007 Bonds have the benefit of a municipal bond insurance policy originally issued by Financial Security Assurance Inc., the successor in interest to which is Assured Guaranty Corp.

Establishment of Funds and Accounts

The Resolution and the Trust Agreement provide that upon the order of the Director, a separate account in the Note Proceeds Fund will be established by the State Department of Technology, Management and Budget in the State Treasury to be designated the 2016 Grant Anticipation Note Proceeds Account (the "2016 Bond Proceeds Account"). A separate subfund has been established by the Department of Technology, Management and Budget in the State Trunk Line Fund held in the State Treasury to which the State Share is credited (the "Federal Grant Proceeds Subfund"). Additionally, the Trustee will designate and maintain a 2016 Grant Anticipation Bond Account within the Note Payment Fund (the "Note Payment Fund") pursuant to the terms of the Trust Agreement.

The 2016 Bond Proceeds Account

A portion of the proceeds of the Refunding Bonds, together with other available moneys, if any, will be used to make deposits, on the date of the issuance of the Refunding Bonds, in accordance with the 2007 Escrow Agreement and the 2009B/2016 Escrow Agreement. The remaining proceeds of the Refunding Bonds will be deposited in the 2016 Bond Proceeds Account and will be used to pay the costs of refunding the Bonds To Be Refunded and to pay the costs of issuance of the Refunding Bonds. Moneys deposited in the 2016 Bond Proceeds Account are to be continuously invested and reinvested by the State Treasurer in investments permitted by law until disbursed, with any earnings, gains and losses being applied to the 2016 Bond Proceeds Account.

The State shall establish and maintain records with respect to the payments made from the 2016 Bond Proceeds Account and such records shall be made available for inspection during normal business hours by the Trustee. Any amount remaining in the 2016 Bond Proceeds Account after payment of the costs set forth above are to be transferred to the Note Payment Fund.

The Federal Grant Proceeds Subfund

All moneys constituting the State Share of federal grants received under the Federal Aid-Highway Program established under Chapter 1 of Title 23 will be received by the State Treasurer and credited to the Federal Grant Proceeds Subfund in the State Trunk Line Fund. So long as sufficient funds are available in the Federal Grant Proceeds Subfund and so long as sufficient of such funds are appropriated each year for the payment of principal, premium and interest on the Grant Anticipation Obligations, the State Treasurer will, on the dates specified in the Trust Agreement, transfer from the Federal Grant Proceeds Subfund to the Trustee for the deposit in the Note Payment Fund, sufficient funds to pay, when due, the principal, premium, if any, and interest on the Grant Anticipation Obligations.

The Note Payment Fund

Pursuant to the Trust Agreement, a Note Payment Fund has been established by the State with the Trustee. Subject to any credit to which the State may be entitled pursuant to the terms thereof, there shall be deposited by the State, but solely from the proceeds of the State Share which, as required by the Resolution, have been deposited in the Federal Grant Proceeds Subfund in the State Trunk Line Fund and which have been appropriated by the State Legislature each fiscal year therefor, with the Trustee for deposit in the Note Payment Fund the following:

(i) On each Interest Payment Date and Principal Payment Date (or on an earlier date if required by the Trust Agreement) and each other date on which principal of or interest on the Grant Anticipation Obligations is due and payable, an amount equal to the amount of principal of or interest on the Grant Anticipation Obligations which is due and payable on such date, less any capitalized interest and investment earnings or other amounts then on deposit in or credited to the Note Payment Fund for which a credit has not been previously taken.

(ii) On the date any Grant Anticipation Obligation is to be redeemed pursuant to Section 401 of the Trust Agreement (or on an earlier date if required by the Trust Agreement), the redemption price of all Grant Anticipation Obligations to be redeemed on such date, subject to a credit for any funds then on deposit in or credited to the Note Payment Fund for which a credit has not been previously taken.

Moneys deposited by the State in the Note Payment Fund from time to time shall be applied by the Trustee to pay the principal, premium, if any, and interest on the Grant Anticipation Obligations as the same become due, and the reimbursement, with interest, of draws under any Liquidity Facility established as security for any Series of Notes.

Additional Bonds or Notes

One or more Series of Additional Notes or Hedges related to bonds or notes issued or proposed to be issued ("Additional Bonds or Notes") may be issued and secured on a parity basis with the Grant Anticipation Obligations (1) to finance completion of the Projects or any improvement thereto originally financed in whole or in part from the proceeds of the Grant Anticipation Obligations or Additional Grant Anticipation Obligations, (2) to refund all or any Outstanding Notes, (3) in each case to pay capitalized interest and costs of issuance of such Additional Bonds or Notes, or (4) to finance any additional projects authorized by resolution of the State.

The issuance of any Series of Additional Bonds or Notes is conditioned on the Trustee receiving (1) a resolution of the State authorizing such issuance, (2) a certificate of the Director of the Department certifying (a) that the amount of the State Share received by the Department in the fiscal year preceding

the issuance of the proposed Series of Additional Bonds or Notes was at least 300% of the maximum Annual Debt Service requirements on the Outstanding Notes and the Series of Additional Notes proposed to be issued, (b) that the Director believes that the Federal Grants under the Federal Aid Authorization will continue in the future and (c) that no payment default has occurred under any Series of the Notes, (3) an order from the State directing the authentication and delivery of such Series of Additional Bonds or Notes, (4) an opinion of the Attorney General addressed to the State and an opinion of Note Counsel addressed to the State, the Trustee, and the Insurer, (5) an executed counterpart of the Supplemental Agreement providing for such Additional Bonds or Notes, and (6) the Insurer's consent for the issuance of Additional Notes in excess of $165,000,000 in aggregate principal amount; provided however that no consent shall be required for any Additional Notes issued to refund the Series 2007 Bonds To Be Refunded or the Unrefunded Series 2007 Bonds or other Notes secured on a parity basis with such bonds.

The State is required to give notice to each national rating agency then maintaining a rating on the Notes prior to the issuance of any Additional Bonds or Notes.

Investment of Moneys in Funds

The Trustee shall invest moneys in the Note Payment Fund and the Rebate Fund in any Qualified Investments and shall sell or liquidate any such investment, in each case upon the written direction of the State, subject in each case to the restrictions on investments set forth in the Trust Agreement. The Trustee shall have no responsibility for any losses resulting from such investment or liquidation, nor shall the Trustee be responsible if any payment is prohibited under section 148 of the Code, provided that the Trustee shall have complied with the applicable investment instructions delivered to it by the State. Moneys in the Note Payment Fund shall be invested by the Trustee only in obligations of the United States, its agencies or United States government sponsored enterprises or obligations, the principal and interest of which are guaranteed by the United States or any one of its agencies (or any fund or other pooling arrangement which is rated at least "Aa" by Moody's, "AA" by S&P or "AA" by Fitch, and which exclusively purchases and holds such investments) having a final maturity of one year or less from the date of purchase thereof, the maturities or redemption dates of all of which shall coincide as nearly as practicable with, but not be later than, the time or times at which said moneys will be required for the purposes of the Trust Agreement. Qualified Investments may be registered or otherwise held in the name of the Trustee's nominee or nominees or, where the securities are eligible for deposit in a central depository, such as DTC or the Federal Reserve Bank of New York, the Trustee may utilize any such depository and permit the registration of registered securities in the name of its nominee or nominees, and the State shall hold the Trustee and such nominees harmless from any liability as holders of record. Any investments permitted pursuant to the Trust Agreement may be purchased from the Trustee in its commercial capacity so long as it meets the applicable criteria set forth in the definition of "Qualified Investments" in the Trust Agreement. In the event that the State shall not have authorized the liquidation of Qualified Investments when required to meet the purposes of the Trust Agreement, the Trustee is authorized to sell or otherwise convert into cash investments credited to any Fund or Account created under the Trust Agreement at the times and in the amounts necessary to meet payments when due from such Fund or Account and shall include all proceeds from such investments. No order of the State shall restrict such authorization, and the Trustee shall not be liable for any loss occurring from any such sale or conversion to cash. Each Fund and Account shall include all investments made from moneys credited to such Fund or Account and shall include all proceeds from such investments.

Events of Default; Remedies

Events of Default.

The occurrence of any of the following events constitutes an "Event of Default" under the Trust Agreement:

(a) Failure to pay interest on any Note when due and payable.

(b) Failure to pay any principal of or premium on any Note when due and payable, whether at stated maturity or pursuant to any redemption or purchase requirement with respect to any Series of Notes which are subject to tender or purchase under the Trust Agreement.

(c) Failure by the State to observe or perform any other covenant, condition or agreement on its part to be observed or performed in the Trust Agreement, the Resolution or the Notes, for a period of 30 days after written notice of such failure has been given to the State by the Trustee; provided, however, that if such observance or performance requires work to be done, actions to be taken or conditions to be remedied which by its or their nature cannot reasonably be done, taken or remedied, as the case may be, within such 30-day period, no Event of Default under this subsection shall be deemed to have occurred or to exist if and so long as the State shall have commenced such work, action or remediation within such 30-day period and provided written notice thereof to the Trustee and the Insurer and shall diligently and continuously prosecute the same to completion, but, unless otherwise consented to by the Insurer, such work, action or remediation must be successfully completed within 60 days of the end of such 30-day period.

Within five days after knowledge of an Event of Default under subsection (a) or (b) above, the Trustee shall give written notice, by registered or certified mail, to the State, the Liquidity Facility Provider, the Insurer, all of the Noteholders, and upon written notice of an Event of Default provided by the Liquidity Facility Provider, the Insurer, or the State, or by the holders of at least 25% in aggregate principal amount of the Outstanding Notes, shall give similar notice of any other Event of Default.

Remedies.

Upon the occurrence and continuation of an Event of Default, the Trustee may proceed to protect or enforce the rights of the Trustee and the Noteholders, either by mandamus to compel the State to perform each and every covenant contained in the Trust Agreement, or by injunction to prevent the State from taking any action in violation of said covenants; provided, however, if such default be such that it cannot be corrected within such period, and if, in the opinion of the Trustee it is correctable without material adverse effect on the Noteholders, it shall not constitute a "default" if corrective action is instituted by the State within such period and diligently pursued until the default is corrected. The State expressly authorizes the Trustee to bring any of the actions mentioned.

Other Remedies; Rights of Noteholders.

Upon the continuance of an Event of Default, if so requested by the Insurer or a Majority of the Noteholders (with the consent of the Insurer), and if satisfactory indemnity has been furnished to it, the Trustee shall exercise such of the rights and powers conferred by the Trust Agreement as the Trustee, being advised by counsel, shall deem most effective to enforce and protect the interests of the Noteholders.

No remedy under the Trust Agreement is intended to be exclusive, and to the extent permitted by law each remedy shall be cumulative and in addition to any other remedy under the Trust Agreement.

No delay or omission to exercise any right or power shall impair such right or power or constitute a waiver of any Default or Event of Default or acquiescence therein; and each such right and power may be exercised as often as deemed expedient.

No waiver by the Liquidity Facility Provider, the Insurer, the Trustee (with the consent of the Insurer) or the Noteholders (with the consent of the Insurer) of any Default or Event of Default shall extend to any subsequent Default or Event of Default.

Right of Noteholders to Direct Proceedings.

The Insurer (so long as it is not in default under the Policy) or a Majority of the Noteholders (with the consent of the Insurer) shall have the right at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Trust Agreement or for the appointment of a receiver or any other proceedings; provided that such direction shall be in accordance with applicable law and the Trust Agreement, and provided that the Trustee shall be indemnified to its satisfaction.

Application of Moneys.

Upon the occurrence and continuance of an Event of Default, there shall be deposited in the Note Payment Fund all moneys and proceeds held or received by the Trustee or any receiver pursuant to the Trust Agreement or any related document or the exercise of any rights granted in the Trust Agreement or such related document, except amounts in the Rebate Fund, which shall be held and applied in accordance with the provisions of the Trust Agreement, and all moneys in the Note Payment Fund (except funds for which provision has been made for nonpresentment of Notes) shall be applied after first paying all Costs of Collection incurred by the Trustee or any receiver (i) to the payment of interest, including interest on overdue principal, and, to the extent not prohibited by applicable law, interest on overdue interest, then due on the Notes without regard to when such interest became due, and (ii) then to the payment of principal and premium, if any, then due on the Notes, without regard to when such principal or premium, if any, became due; or in such other order as may be determined by the Trustee with the written consent of the Insurer and all of the Noteholders. Payments shall be made ratably, according to the amounts due respectively for interest and principal and premium, if any, among Noteholders entitled to receive the payment being made. Any amounts received under the Policy shall be applied solely to pay principal of and interest on the Notes.

Remedies Vested in Trustee.

All rights of action (including the right to file proofs of claim) under the Trust Agreement or under any of the Notes may be enforced by the Trustee without the possession of any of the Notes or their production in any proceeding; and any such proceeding instituted by the Trustee shall be brought in its name, as Trustee, without the necessity of joining as plaintiffs or defendants any Noteholders; and any recovery of the judgment shall be for the benefit of the Noteholders and the Insurer, subject, however, to the provisions of the Trust Agreement.

Rights and Remedies of Noteholders.

No Noteholder shall have any right to institute any proceeding for the enforcement of the Trust Agreement or any right or remedy granted in the Trust Agreement unless (i) an Event of Default is

continuing, (ii) a Responsible Officer of the Trustee is deemed to have notice or knowledge thereof or has been notified as provided in "*Events of Default*" above, (iii) a Majority of the Noteholders (with the consent of the Insurer) shall have made written request to the Trustee and shall have afforded the Trustee reasonable opportunity to exercise its powers or to institute such proceeding in its own name, and have offered to the Trustee indemnity satisfactory to it, and (iv) the Trustee shall have failed or refused to exercise its power or to institute such proceeding. Such notice, request and offer of indemnity shall at the option of the Trustee be conditions precedent to the execution of the powers and trusts of the Trust Agreement, and to any action for the enforcement of the Trust Agreement or of any right or remedy granted in the Trust Agreement; it being understood and intended that the Noteholders shall have no right to affect or prejudice the lien of the Trust Agreement by their action or to enforce any right except in the manner provided and that proceedings shall be instituted and maintained in the manner provided and for the benefit of the Noteholders of all Series of Notes then outstanding. Notwithstanding the foregoing, each Noteholder shall have a right of action to enforce the payment of the principal of and premium, if any, and interest on any Series Note held by it at and after the maturity thereof, from the sources and in the manner expressed in such Note.

Waivers of Events of Default.

The Trustee shall waive (in advance or otherwise) any Event of Default and its consequences and rescind any declaration of maturity of principal upon the written request of the Insurer or a Majority of the Noteholders (with the consent of the Insurer), but no such waiver (except as specifically provided therein) or rescission shall extend to any subsequent or other Event of Default.

Intervention by Trustee.

In any judicial proceeding which the Trustee believes has a substantial bearing on the interests of the Noteholders, the Trustee may intervene on behalf of the Noteholders.

Supplemental Agreements

Supplemental Agreements Not Requiring Consent of Noteholders.

The State and the Trustee may without the consent of, or notice to, any of the Noteholders, enter into agreements supplemental to the Trust Agreement as shall not, in their opinion, be inconsistent with the terms and provisions of the Trust Agreement or such supplemental agreement for any one or more of the following purposes:

(a) To cure any ambiguity, inconsistency or formal defect or omission in the Trust Agreement;

(b) To grant to or confer upon the Trustee for the benefit of the Noteholders any additional rights, remedies, powers, or authority that may lawfully be granted to or conferred upon the Noteholders or the Trustee;

(c) To subject to the lien and pledge of the Trust Agreement additional revenues or collateral;

(d) To the extent required by law, to permit registration of the Notes under the Securities Act, the Trust Indenture Act, or any applicable state securities law, and to permit qualification of the Trust Agreement under the Trust Indenture Act;

(e) To revise the provisions of the Trust Agreement or any related document or certificate relating to rebate of arbitrage profits to the United States, provided the Trustee shall have received an opinion of Note Counsel that such revision does not adversely affect the exclusion from gross income of interest on the Notes for federal income tax purposes;

(f) To make any change to the Trust Agreement affecting only a Series of the Notes when all the Notes of such Series have been tendered pursuant to the terms of the Trust Agreement but have not been remarketed following such tender and are then in the possession of the Remarketing Agents;

(g) To provide for the benefit of some or all of the Notes one or more Alternate Policies or Alternate Liquidity Facilities, which may change the provisions for payment, remedies and other matters in a way that affects the Noteholders both covered and not covered by such Alternate Policies or Alternate Liquidity Facilities;

(h) Effective upon any conversion date to a new interest rate determination method, to make any amendment affecting only the Series of the Notes being converted;

(i) To make any change necessary to secure from a nationally recognized securities rating agency a rating on a Series of the Notes equal to the rating of the unsecured, short-term indebtedness of the issuer of any Policy or Alternate Policy or Liquidity Facility for such Series then in effect;

(j) To modify the Trust Agreement or a Series of the Notes if such modification affects only one or more Series of the Notes and at least 30 days' notice of such modification is provided to the Noteholders of each such Series and (1) such Noteholders have the right to optionally tender their Notes of each such Series at any time during such notice period or (2) such Notes are subject to mandatory tender at any time during such notice period;

(k) To modify any provisions of the Trust Agreement relating to ARS, so long as such modification, in the judgment of the Trustee, is not to the prejudice of the Noteholders;

(l) To effect any other change herein or therein which, in the judgment of the Trustee, is not to the prejudice of the Noteholders; and

(m) To provide for the issuance of Additional Notes.

Supplemental Agreements Requiring Consent of Noteholders.

In addition to supplemental agreements described in the immediately preceding subheading, the Liquidity Facility Provider and the Insurer and a Majority of the Noteholders shall have the right, from time to time, to consent to and approve the execution by the parties to the Trust Agreement or other agreement or agreements supplemental thereto for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Trust Agreement or in any supplemental agreement; provided, however, that nothing in this subheading shall permit (i) an extension of the stated maturity of the principal of or the interest on any Note without the consent of the Noteholder and the Insurer; (ii) a reduction in the principal amount of any Note, the rate of interest thereon or the premium, if applicable, to be paid upon the redemption thereof prior to maturity without the consent of the Noteholder, the Liquidity Facility Provider and the Insurer; (iii) an extension of the date for making any scheduled mandatory redemption or in any Supplemental Agreement without the consent of all of the Noteholders of the affected Series, the Liquidity Facility Provider and the Insurer; (iv) except as provided herein or in any Supplemental Agreement with respect to the establishment of a privilege or

priority of any Note or Notes over any other Note or Notes without the consent of all the Noteholders, the Liquidity Facility Provider and the Insurer; (v) a reduction in the percentage of the aggregate principal amount of Notes the holders of which are required to consent to any such supplemental agreement without the consent of all the Noteholders of the Notes at the time outstanding which would be affected by the action to be taken; (vi) a release of collateral granted under the Trust Agreement without the consent of all of the Noteholders, the Liquidity Facility Provider and the Insurer, except as expressly provided in the Trust Agreement; or (vii) a modification of the rights, duties or immunities of the State or the Trustee without the written consent of the affected party, the Liquidity Facility Provider and the Insurer.

If at any time the State requests the Trustee to enter into any supplemental agreement, the Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of the proposed execution to be made in the manner required for redemption of principal of the Notes; provided, however, that failure to give such notice, or any defect therein, shall not affect the validity of the proceedings.

Such notice shall briefly set forth the nature of the proposed supplemental agreement and shall state that copies thereof are on file at the corporate trust office of the Trustee for inspection by all Noteholders, the Liquidity Facility Provider and the Insurer. Except as otherwise provided in the Trust Agreement, if, within 60 days or such longer period (not to exceed two years) as shall be prescribed by the State following the final mailing of such notice, not less than a Majority of the Noteholders at the time of the execution of any such supplemental agreement shall have consented to and approved the execution thereof, no holder of any Note shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the State from executing the same or from taking any action pursuant to the provisions thereof. Upon the execution of any such supplemental agreement, the Trust Agreement shall be and be deemed to be modified and amended in accordance therewith.

Defeasance

When the State has paid or has been deemed to have paid to the holders of all of the Notes the principal and interest and premium, if any, due or to become due thereon at the times and in the manner stipulated therein and in the Trust Agreement, all Reimbursement Amounts have been paid to the Insurer, all amounts owing to the Liquidity Facility Provider have been paid, and all other obligations owing to the Trustee under the Trust Agreement have been paid or provided for, the lien of the Trust Agreement on the Trust Estate shall terminate, except that, notwithstanding termination of the lien, the obligations to make all rebate payments and to take any other action in regard to rebate shall continue until all such obligations and actions have been paid and performed in full. Upon the written request of the State, the Trustee shall upon the termination of the lien promptly execute and deliver to the State, an appropriate discharge of the Trust Agreement except that, subject to the provisions of the Trust Agreement, the Trustee shall continue to hold in trust amounts held for nonpresentment of Notes for the payment of the principal of, premium, if any, and interest on the Notes and moneys held for rebate to the United States of America under section 148(f) of the Code.

Outstanding Notes shall be deemed to have been paid if the Trustee shall have paid to the holders of such Notes, or shall be holding in trust for and shall have irrevocably committed to the payment of such Outstanding Notes, moneys sufficient for the payment of all principal of and interest and premium, if any, on such Notes to the date of maturity or redemption, as the case may be; provided, that if any of such Notes are deemed to have been paid prior to the earlier of the redemption or the maturity thereof, the Trustee and the State shall have received an unqualified opinion of Note Counsel that such payment and the holding thereof by the Trustee shall not in and of itself cause interest on the Notes to be included in gross income for federal income tax purposes; and provided, further, that if any such Notes are to be redeemed prior to the maturity thereof, notice of such redemption shall have been duly given to the

Noteholders and the State or irrevocable provision satisfactory to the Trustee shall have been duly made for the giving of such notice; and provided, further, that Notes paid by payments made under the Policy shall be deemed to be Outstanding Notes until the Insurer is paid all Reimbursement Amounts.

Outstanding Notes also shall be deemed to have been paid if the Trustee shall be holding in trust for and shall have irrevocably committed to the payment of such Outstanding Notes United States Obligations the principal installments of and/or the interest on which when due, without reinvestment, will provide moneys which, together with moneys, if any, so held and so committed, shall be sufficient for the payment of all principal of and interest and premium, if any, on such Notes to the date of maturity or redemption, as the case may be; provided, that if any of such Notes are deemed to have been paid prior to the earlier of the redemption or the maturity thereof, the Trustee, the State and the Insurer shall have received (i) an unqualified opinion of Note Counsel that such payment and the holding of such United States Obligations and moneys, if any, shall not in and of itself cause interest on the Notes to be included in gross income for federal income tax purposes and (ii) a report in form and substance acceptable to the Insurer, the Trustee and the State of a firm of certified public accountants acceptable to the Insurer, the Trustee and the State verifying that the principal installments of and/or the interest on such United States Obligations, if paid when due and without reinvestment, will, together with any moneys so deposited, be sufficient for the payment of all principal of and interest and premium, if any, on such Notes to the date of maturity or redemption, as the case may be; and provided, further, that if any such Notes are to be redeemed prior to the maturity thereof, notice of such redemption shall have been duly given or irrevocable provision satisfactory to the Trustee shall have been duly made for the giving of such notice. Any Notes for which the interest rate is not fixed to the maturity thereof will be assumed to bear interest at the Maximum Note Interest Rate for any period prior to their specified maturity or redemption date for which the interest rate is not fixed.

Any moneys held by the Trustee under this subsection shall be invested by the Trustee in the manner provided under "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION AND THE TRUST AGREEMENT — Investment of Moneys in Funds*"* (but only to the extent that such investments are available) only in United States Obligations which do not contain provisions permitting redemption at the option of the issuer, the maturities or redemption dates, without premium, of which shall coincide as nearly as practicable with, but not be later than, the time or times at which said moneys will be required for the aforesaid purposes. The making of any such investments or the sale or other liquidation thereof shall not be subject to the control of the State, and the Trustee shall have no responsibility for any losses resulting from such investment. Any income or interest earned by, or increment to, the investments held under this subsection, to the extent determined from time to time by the Trustee to be in excess of the amount required to be held by it for the purposes of this subsection, shall be paid first to the Trustee to the extent necessary to repay any unpaid obligations owing to the Trustee under the Trust Agreement, and then to the Insurer to the extent necessary to pay any Reimbursement Amounts owing to the Insurer, and thereafter the remainder, if any, shall be paid to the State.

After all of the Outstanding Notes shall be deemed to have been paid and all other amounts required to be paid under the Trust Agreement shall have been paid, then upon the termination of the Trust Agreement any amounts in the Note Proceeds Fund and the Note Payment Fund shall be paid first to the Trustee to the extent necessary to repay any unpaid obligations owing to the Trustee under the Trust Agreement, and then to the Insurer to the extent necessary to pay any Reimbursement Amounts owing to the Insurer, and thereafter the remainder, if any, shall be paid to the State.

LEGAL MATTERS

Litigation

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

The State of Michigan Comprehensive Annual Financial Report for the fiscal year ended September 30, 2015 ("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 Refunding Bonds or the security therefor and are not expected to have an adverse effect on the Refunding Bonds or security therefor.

Legality for Investment in Michigan

The Refunding 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 Refunding Bonds is conditioned upon receiving, at the time of delivery, the approving opinions of the Attorney General of the State and of Dickinson Wright PLLC, Lansing, Michigan ("Bond Counsel") substantially in the forms attached hereto as Appendices I and II. Certain legal matters will be passed upon for the Underwriters by their counsel, Dykema Gossett PLLC, Lansing, Michigan. Dickinson Wright PLLC and Dykema Gossett PLLC have in the past, are now, and may in the future represent the State, MDOT and/or one or more of the Underwriters of the Refunding Bonds with respect to matters unrelated to the Refunding Bonds.

TAX MATTERS

General

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

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

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

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

Amortizable Bond Premium

For federal income tax purposes, the difference between the initial offering prices to the public (excluding bond houses and brokers) at which the Refunding Bonds initially sold at a premium as shown on the cover page hereof (the "Original Premium Bonds") are sold and the amounts payable on the Original Premium Bonds other than stated interest constitutes for the original purchasers of the Original Premium Bonds an amortizable bond premium. Similarly, the amount by which any registered owner's basis of any Bonds exceeds the amount payable thereon other than stated interest constitutes for that

registered owner an amortizable bond premium (collectively with the Original Premium Bonds, the "Premium Bonds"). Such amortizable bond premium is not deductible from gross income; however, such amortizable bond premium is taken into account by certain corporations in determining adjusted current earnings for the purpose of computing the alternative minimum tax, which may also affect liability for the branch profits tax imposed by Section 884 of the Code. The amount of amortizable bond premium allocable to each taxable year is generally determined on the basis of the yield to maturity determined by using the registered owner's basis (for purposes of determining loss on sale or exchange) of the 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 registered owner's adjusted basis of the Premium Bonds to determine taxable gain upon disposition (including sale, redemption or payment on maturity) of such bonds.

Risk of Changes to Tax Law

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

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

FINANCIAL INFORMATION

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, 2015, which speaks only as of its date, and which has been filed with the MSRB is incorporated herein by this reference.

The Refunding Bonds are payable from and secured by the moneys constituting the State Share of the Federal Aid Revenues in the Federal Grant Proceeds Subfund and the moneys in the Note Payment Fund. Additionally, a portion of the interest due on the Refunding Bonds to and including September 15, 2018 will be payable by funds in the 2009B/2016 Escrow Agreement. See "SECURITY FOR THE REFUNDING BONDS."

VERIFICATION OF MATHEMATICAL COMPUTATIONS

Advance Refunding of the Series 2007 Bonds To Be Refunded

On or prior to the date of delivery of the Refunding Bonds, Robert Thomas, CPA LLC, independent certified public accountants, will deliver a report attesting to the mathematical accuracy of the computations contained in the schedules prepared by the Underwriters on behalf of the State relating to the sufficiency of the anticipated receipts from the Government Obligations and the initial cash being deposited in accordance with the Series 2007 Escrow Agreement to pay (i) the interest due on the

Series 2007 Bonds To Be Refunded to and including September 15, 2017, which is the first optional redemption date for the Series 2007 Bonds To Be Refunded, and (ii) the redemption price of the Series 2007 Bonds To Be Refunded on September 15, 2017.

Crossover Refunding of the Series 2009B Bonds

On or prior to the date of delivery of the Refunding Bonds, Robert Thomas, CPA LLC, independent certified public accountants, will deliver a report attesting to the mathematical accuracy of the computations contained in the schedules prepared by the Underwriters on behalf of the State relating to the sufficiency of the anticipated receipts from the Series 2009B/2016 Escrow Agreement Investments and the initial cash being deposited in accordance with the Series 2009B/2016 Escrow Agreement to pay (i) a portion of the interest due on the Refunding Bonds to and including September 15, 2018 (which shall be in an amount equal to the interest due on the portion of the Refunding Bonds issued to provide for the crossover refunding of the Series 2009B Bonds to and including September 15, 2018), and (ii) the redemption price of the Series 2009B Bonds on September 15, 2018, which is the first optional redemption date for the Series 2009B Bonds.

BOND RATINGS

Moody's Investors Service and Standard & Poor's Ratings Services have assigned municipal bond ratings of "A2" and "AA", respectively, to the Refunding Bonds. No application was made to any other rating agency for the purpose of obtaining an additional rating on the Refunding 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 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 revision or withdrawal of such ratings, or any of them, may have an effect on the market price of the Refunding Bonds. A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time.

CONTINUING DISCLOSURE

General

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

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

In the Disclosure Agreement, (i) the State will covenant to provide or cause to be provided each year certain financial information and operating data relating to the State (the "Annual Report") by not later than the date seven months after the close of the State's fiscal year, commencing with the Annual Report for the State's 2016 fiscal year, provided, however, that if the audited financial statements of the State are not available by this date, they will be provided when and if available, and unaudited financial

statements in a format similar to the audited financial statements then most recently prepared for the State will be included in the Annual Report, and (ii) the State will covenant to provide or cause to be provided timely notices of the occurrence of certain enumerated events, if material as set forth below (the "Notices of Material Events"). Currently, the State's fiscal year ends on September 30. The Annual Report and the Notices of Material Events will be filed by the State with the Municipal Securities Rule Making Board (the "MSRB") by electronic transmission through the Electronic Municipal Market Access Dataport ("EMMA") of the MSRB.

Notwithstanding any other provision of the Disclosure Agreement, the Disclosure Agreement may be amended, if the State receives an opinion of independent legal counsel to the effect that (i) the amendment is made in connection with a change in circumstances that arises from a change in legal requirements, a change in law, or a change in the types of activities in which the State is engaged; (ii) the Disclosure Agreement, as amended, would have complied with the requirements of the Rule at the time of the primary offering of the Refunding Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and (iii) the amendment does not materially impair the interests of the Bondholders or has been approved by a vote of Bondholders or Beneficial Owners (on whose behalf a Bondholder has not acted) of 51% of the aggregate principal amount of the then Outstanding Refunding Bonds.

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

Failure to Comply

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

The Annual Report

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

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

(b) an update of the financial information of the same type as that contained in this Official Statement in Table 1 under the caption "INFORMATION CONCERNING THE FUNDING OF FEDERAL-AID HIGHWAYS – The Federal Highway Trust Fund" and Table 2 under the caption "FEDERAL AID REVENUES."

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

Notices of Material Events

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

(1) Principal and interest payment delinquencies;

(2) Non-payment related defaults, if material;

(3) Unscheduled draws on debt service reserves reflecting financial difficulties;

(4) Unscheduled draws on credit enhancements reflecting financial difficulties;

(5) Substitution of credit or liquidity providers, or their failure to perform;

(6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security or other material event affecting the tax status of the security;

(7) Modifications to rights of security holders, if material;

(8) Bond calls, if material;

(9) Defeasances;

(10) Release, substitution, or sale of property securing repayment of the securities, if material;

(11) Rating changes;

(12) Tender offers;

(13) Bankruptcy, insolvency, receivership or similar event of the obligated person;

(14) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

(15) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

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

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

Compliance

In the last five years, the State has not failed to comply in all material respects with any previous undertakings with regard to the Rule to provide annual reports or notices of material events pursuant to the Rule. Although not believed by the State to be material, on June 4, 2013, the State filed notice on EMMA that the annual financial information contained in the CAFR for the fiscal year ending September 30, 2009, timely filed by the State on April 21, 2010, did not identify but was also applicable to the following bonds: (i) State of Michigan General Obligation School Loan and Refunding Bonds, Series 2009A (Taxable), (ii) State of Michigan General Obligation Bonds (Environmental Program and Refunding), Series 2009A (Tax-Exempt), (iii) State of Michigan General Obligation School Loan Refunding Bonds, Series 2008A, (iv) State of Michigan General Obligation Bonds (Environmental Program and Refunding), Series 2008A & B, and (v) State of Michigan General Obligation Bonds, Environmental Program, Series 2006A (Tax Exempt). Similarly, although not believed by the State to be material, on (i) August 4, 2015, the State filed notice on EMMA that the annual financial information contained in the CAFR for the fiscal years ending September 30, 2013 and September 30, 2014, timely filed by the State on April 23, 2014, and April 22, 2015, respectively, did not identify but was also applicable to certain of the State of Michigan General Obligation Environmental Program and Refunding Bonds, Series 2011B (Federally Taxable), on July 6, 2016, the State filed on EMMA "Table 1 Receipts into the Highway Account of the Highway Trust Fund Federal Fiscal Years 2006-2017", containing information widely and readily available from the Congressional Budget Office, the most recent version of which Table was inadvertently omitted from its annual filing due April 30, 2016, and (iii) on July 6, 2016, the State filed notice on EMMA of the March, 2014 rating upgrade by Standard & Poor's Rating Services of Assured Guaranty, the successor insurer to Financial Security Assurance of the State's Grant Anticipation Bonds, Series 2007; it being the State's belief that it never received notice of such upgrade.

UNDERWRITING

The Refunding Bonds are being purchased, subject to certain conditions, by a group of underwriters (collectively the "Underwriters"), represented by Loop Capital Markets LLC and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as joint book running senior managers. The Purchase Contract provides for the Underwriters to purchase all of the Refunding Bonds, if any are purchased, at a discount of $1,306,366.47 from the original public offering prices producing the yields set forth on the cover of this Official Statement.

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

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

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

Citigroup Global Markets Inc., an underwriter of the Refunding Bonds, has entered into a retail distribution agreement with each of TMC Bonds L.L.C. ("TMC") and UBS Financial Services Inc. ("UBSFS"). Under these distribution agreements, Citigroup Global Markets Inc. may distribute municipal securities to retail investors through the financial advisor network of UBSFS and the electronic primary offering platform of TMC. As part of this arrangement, Citigroup Global Markets Inc. may compensate TMC (and TMC may compensate its electronic platform member firms) and UBSFS for their selling efforts with respect to the Refunding Bonds.

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

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

Siebert Brandford Shank & Co., L.L.C. ("SBS") has entered into an agreement with Muriel Siebert & Co. for the retail distribution of certain securities offerings, at the original issue prices. Pursuant to such agreement, if applicable to the Refunding Bonds, Muriel Siebert & Co. will purchase Refunding Bonds at the original issue price less the selling concession with respect to any Refunding Bonds that Muriel Siebert & Co. sells. SBS will share a portion of its underwriting compensation with Muriel Siebert & Co.

OTHER MATTERS

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

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

STATE OF MICHIGAN

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

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APPENDIX I

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

August 12, 2016

State Transportation Commission

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

Nick A. Khouri
State Treasurer

In my capacity as Attorney General of the State of Michigan, I have caused to be examined a closing transcript and, in particular, the following documents relating to the issuance by the State of Michigan (the "State") of Bonds designated STATE OF MICHIGAN GRANT ANTICIPATION REFUNDING BONDS, SERIES 2016, in the aggregate principal sum of $607,110,000 (the "Bonds"):

(1) the Michigan Constitution of 1963, as amended (the "Constitution") and Act 51 of the Michigan Public Acts of 1951, as amended (the "Act"), pursuant to which the Bonds are to be issued;

(2) a certified copy of the bond authorizing resolution adopted by the State Transportation Commission (the "Commission") and the Director of the Michigan Department of Transportation (the "Director") on May 19, 2016 (the "Resolution") authorizing the issuance of the Bonds;

(3) executed counterparts of the trust agreement dated as of July 1, 2001, (the "Original Trust Agreement"), the first supplement to the Trust Agreement dated as of September 1, 2002 (the "First Supplement"), the second supplement to the Trust Agreement dated as of August 1, 2007 (the "Second Supplement"), the third supplement to the Trust Agreement dated as of June 1, 2009 (the "Third Supplement") and the fourth supplement to the Trust Agreement dated as of August 1, 2016 (the "Fourth Supplement" and together with the Original Trust Agreement, the First Supplement, the Second Supplement and the Third Supplement, the "Trust Agreement") between the State and U.S. Bank National Association, as successor to National City Bank of Michigan/Illinois, as trustee (the "Trustee").

(4) a Non-Arbitrage and Tax Compliance Certificate of the State; and

(5) one Bond, as executed, or a specimen thereof.

Terms not defined herein shall have the same meanings ascribed to them as are ascribed in the Trust Agreement. The Bonds are being issued for the purposes of providing funds, together with other available funds, to refund prior bonds issued to finance various transportation projects in the State, and pay costs incidental to the issuance of the Bonds and the refunding.

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

1. The Bonds are valid and binding special obligations of the State enforceable in accordance with their terms, and are secured by an irrevocable pledge of the State Share of all Federal grants received each year by the State under the Federal-Aid Highway Program and by money in the Note Payment Fund and, with respect to a portion of the interest due on the Bonds to and including September 15, 2018, funds held in the 2009B/2016 Escrow Deposit Agreement. Payment of the principal of, premium, if any, and interest on the Bonds shall be made solely from the State Share as received each year by the State and appropriated therefor by the State Legislature and funds from time to time on deposit in the Note Payment Fund, as provided for in the Resolution and the Trust Agreement, and with respect to a portion of the interest due on the Bonds to and including September 15, 2018, funds held in the 2009B/2016 Escrow Deposit Agreement.

2. Payment of the principal of, premium, if any, and interest on the Bonds, all other bonds and notes issued and outstanding under the Trust Agreement and any Additional Notes or Bonds or other obligations similarly secured and issued within the limitations provided by Act 51, the Resolution and the Agreement, constitutes a first lien on and first priority use of the State Share and funds deposited or to be deposited in the Note Payment Fund as described in the Resolution and the Trust Agreement.

3. Interest on the Bonds (i) is excluded from gross income for federal income tax purposes and (ii) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. However, for the purpose of computing the alternative minimum tax imposed on certain corporations (as defined for federal income tax purposes), interest on the Bonds is taken into account in determining adjusted current earnings. This opinion is subject to the condition that the State comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The State has covenanted to comply with each such requirement to the extent permitted by law. Failure to comply with certain of those requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. I express no opinion regarding other federal tax consequences arising with respect to the Bonds.

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

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

Sincerely,

BILL SCHUETTE
Attorney General

_____

Assistant Attorney General

APPENDIX II

FORM OF BOND COUNSEL APPROVING OPINION

August 12, 2016

State of Michigan
Lansing, Michigan

We have examined the Michigan Constitution of 1963, as amended (the "Constitution"), statutes of the State of Michigan (the "State") and a certified transcript of proceedings for the issue by the State of bonds in the aggregate original principal sum of $607,110,000, designated STATE OF MICHIGAN GRANT ANTICIPATION REFUNDING BONDS, SERIES 2016 (the "Bonds"). The Bonds are being issued for the purposes of providing funds, together with other available funds, to refund prior bonds issued to finance various transportation projects in the State, and pay costs incidental to the issuance of the Bonds and the refunding.

The Bonds are issued in fully registered form in the denominations of $5,000 or integral multiples of $5,000, dated as of August 12, 2016, mature in the years and in the amounts, bear interest at the rates, are subject to optional redemption prior to maturity, and are payable at the times all as determined in accordance with the Resolution (hereinafter defined) and a Trust Agreement (the "Trust Agreement") dated as of July 1, 2001, as supplemented by a First Supplement dated September 1, 2002 (the "First Supplement"), a Second Supplement dated as of August 1, 2007 (the "Second Supplement"), a Third Supplement dated as of June 1, 2009 (the "Third Supplement"), and a Fourth Supplement dated as of August 1, 2016 (the "Fourth Supplement" and together with the Trust Agreement and the First Supplement, the Second Supplement and the Third Supplement, the "Agreement"), each by and between the State, acting through the State Transportation Commission (the "Commission") and the Director of the Michigan Department of Transportation (the "Director"), and U.S. Bank National Association, as successor to National City Bank of Michigan/Illinois, as trustee (the "Trustee").

The Bonds are issued pursuant to Act 51, Public Acts of Michigan, 1951, as amended ("Act 51"), the Agreement and a resolution and order (together the "Resolution") of the Commission and the Director, respectively. The State has issued and has outstanding Grant Anticipation Notes under the Agreement secured on a parity with the Bonds (the "Outstanding Notes"). The Bonds and the Outstanding Notes are equally secured by an irrevocable pledge of (i) the State Share (as defined in the Resolution and the Agreement) of federal grants received each year by the State under the Federal Aid-Highway Program, and (ii) monies on deposit in the Note Payment Fund established under the Agreement, and are payable solely from the State Share as appropriated each year therefor by the State Legislature and from monies on deposit in the Note Payment Fund. A portion of the interest due on the Bonds to and including September 15, 2018 will be payable from funds under the 2009B/2016 Escrow Deposit Agreement. The State has the right to issue additional notes or bonds of equal standing and priority of lien with the Bonds and the Outstanding Notes as to the State Share and monies deposited or to be deposited in the Note Payment Fund, subject to the limitations of Act 51, the Resolution and the Agreement.

We have also examined one specimen Bond only.

From such examination, we are of the opinion that under existing law, as presently interpreted:

1. The Bonds are valid and legally binding, special and not general, obligations of the State in accordance with their tenor, secured by an irrevocable pledge of the State Share and funds deposited or to be deposited in the Note Payment Fund, and are payable solely from the State Share as received each year by the State and appropriated therefor by the State Legislature and funds from time to time on deposit in the Note Payment Fund, all as described above and as provided for in the Resolution and the Agreement, and a portion of the interest due on the Bonds to and including September 15, 2018 will be payable from funds under the 2009B/2016 Escrow Deposit Agreement.

2. Payment of the principal of, premium, if any, and interest on the Bonds, the Outstanding Notes and any additional notes or bonds or other obligations similarly secured, issued within the limitations provided by Act 51, the Resolution and the Agreement, constitutes a first lien on and first priority use of the State Share and funds deposited or to be deposited in the Note Payment Fund as herein described.

3. Each of the Resolution and the Agreement is a valid and legally binding obligation of the State, enforceable in accordance with its terms, assuming as to the Agreement that the same is the valid, binding and enforceable obligation of the Trustee.

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

5. The Bonds and the interest thereon are exempt from any and all taxation within the State, except for estate taxes and taxes on gains realized on the sale, payment or other disposition thereof.

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

Respectfully submitted,

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