

**Supplement to Official Statement Dated August 10, 2022**  
**Related to**  
**\$6,710,000**  
**THE ECONOMIC DEVELOPMENT CORPORATION OF THE CITY OF FLINT**  
**Limited Obligation Revenue Refunding Bonds, Series 2022**  
**(State of Michigan Department of Health and Human Services Office Building Project)**

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This Supplement (this “Supplement”) sets forth information supplementing the Official Statement dated August 10, 2022 (the “Official Statement”), relating to the above-captioned bonds (the “Bonds”).

As noted in the Preliminary Official Statement dated as of July 29, 2022, the Issuer expects to designate the Bonds as “qualified tax-exempt obligations” for purposes of deduction of interest expense by financial institutions under Section 265(b)(3) of the Internal Revenue Code of 1986, as amended. The Official Statement is hereby supplemented, revised, and amended as follows:

1. The following statement is added to the cover of the Official Statement immediately below the tax caption:

*The Bonds are expected to be designated as “qualified tax-exempt obligations” for purposes of deduction of interest expense by financial institutions as defined in Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.*

2. The following section is added to the Official Statement immediately following the section entitled “TAX MATTERS”:

**QUALIFIED TAX-EXEMPT OBLIGATIONS**

The Issuer expects to designate the Bonds as “qualified tax-exempt obligations” for purposes of deduction of interest expense by financial institutions under Section 265(b)(3) of the Code.

**Please affix this Supplement to the Official Statement that you have in your possession and forward this Supplement to any party to whom you delivered a copy of the Official Statement.**

**This Supplement should be read together with the Official Statement. Except as set forth herein, this Supplement does not update, modify or replace the information contained in the Official Statement, which contains information only as of its date. All capitalized terms used in this Supplement and not defined herein shall have the meanings set forth in the Official Statement.**

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*The date of this Supplement is August 23, 2022*

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In the opinion of Dykema Gossett PLLC, Bond Counsel, under existing law, subject to compliance with certain covenants by the Economic Development Corporation of the City of Flint (the "Issuer"), (i) interest on the Issuer's Limited Obligation Revenue Refunding Bonds, Series 2022 (State of Michigan Department of Health and Human Services Office Building Project) (the "Bonds") is excludable from gross income for federal income tax purposes, (ii) interest on the Bonds is not an item of tax preference for purposes of the federal individual alternative minimum tax, (iii) interest on the Bonds held by an "applicable corporation" (as defined in Section 59(k) of the Internal Revenue Code of 1986, as amended) is included in annual "adjusted financial statement income" for purposes of calculating the alternative minimum tax imposed on an applicable corporation for tax years beginning after December 31, 2022, and (iv) the Bonds and the interest thereon are exempt from all taxation in the State of Michigan, except for estate taxes and taxes on gains realized from the sale, payment or other disposition thereof. See "TAX MATTERS" herein for a more complete discussion.

**\$6,710,000**

**THE ECONOMIC DEVELOPMENT CORPORATION OF THE CITY OF FLINT**  
**Limited Obligation Revenue Refunding Bonds, Series 2022**  
**(State of Michigan Department of Health and Human Services Office Building Project)**

**Dated: Date of Delivery**

**Due: April 15 and October 15; as shown below**

The Limited Obligation Revenue Refunding Bonds, Series 2022 (State of Michigan Department of Health and Human Services Office Building Project) (the "Bonds") are being issued by The Economic Development Corporation of the City of Flint (the "Issuer"). When issued, the Bonds will be registered in the name of Cede & Co. as registered owner and nominee for The Depository Trust Company, New York, New York ("DTC"). So long as Cede & Co. is the registered owner of the Bonds, the principal of, premium, if any, and interest on the Bonds are payable by U.S. Bank Trust Company, National Association, as Trustee, to Cede & Co., as nominee for DTC. See "DTC: BOOK-ENTRY-ONLY SYSTEM." Interest on the Bonds is payable each April 15 and October 15, commencing April 15, 2023, until maturity or prior redemption. Purchasers shall acquire beneficial ownership interests in the Bonds in the denominations of \$5,000 or integral multiples of \$5,000. The principal or redemption price of each Bond will be paid to the registered owner of the Bond upon presentation and surrender of the same at the designated office of the Trustee. The Bonds are subject to redemption prior to maturity as described in this Official Statement.

The Bonds are secured by and payable from Base Rental (as defined herein) to be paid by the State of Michigan (the "State") acting by and through the Department of Technology, Management and Budget of the State of Michigan (the "Lessee") to the Issuer (as assignee of the initial lessor) under the Lease (as defined herein) and other revenues and funds pledged under the Trust Indenture, dated as of August 1, 2022 (the "Indenture") between the Issuer and the Trustee. The Bonds will also be secured by a first mortgage lien on and security interest in the Project (as defined herein). **The Lease is not a general obligation of the Issuer or the State. Neither the full faith and credit nor the taxing power of the State are pledged to the Rentals (as defined herein) coming due under the Lease. The Lease is subject to termination during any fiscal year if (a) there is a specific prohibition arising out of the appropriation process of the State against using funds for the Lease or (b) the State fails to appropriate funds for the purpose of paying rent under the Lease. The Lease is also subject to termination upon the occurrence of certain events as described herein.**

The proceeds of the Bonds will be used to: (a) provide for the refunding of all or a portion of the Issuer's Limited Obligation Revenue Bonds, Series 2011 (State of Michigan Department of Human Services Office Building Project), issued in an original aggregate principal amount \$8,435,000 and dated December 21, 2011, and (b) pay costs of issuing the Bonds.

**The Bonds are limited obligations of the Issuer payable solely from the sources described in this Official Statement. The Bonds do not constitute a debt or pledge of the general credit of the Issuer or the credit or taxing power of the City of Flint, Michigan or the State. The Issuer has no taxing power. All representations and covenants of the Issuer in any proceeding, document or certification incidental to issuance of the Bonds shall not create a pecuniary liability of the Issuer, except to the extent of the security described herein.**

**MATURITIES, AMOUNTS, INTEREST RATES, AND YIELDS**

**Maturity Schedule**

<u>Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP<sup>†</sup></u>	<u>Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP<sup>†</sup></u>
10/15/2023	\$205,000	5.000%	2.050%	339506 AN7	10/15/2028	\$350,000	5.000%	2.690%	339506 AT4
10/15/2024	245,000	5.000	2.200	339506 AP2	10/15/2029	365,000	5.000	2.810	339506 AU1
10/15/2025	255,000	5.000	2.270	339506 AQ0	10/15/2030	385,000	5.000	2.920	339506 AV9
10/15/2026	270,000	5.000	2.390	339506 AR8	10/15/2031	400,000	5.000	3.030	339506 AW7
10/15/2027	300,000	5.000	2.490	339506 AS6	10/15/2032	460,000	5.000	3.100	339506 AX5
						\$485,000	4.000%		Term Bonds due October 15, 2033 - Yield 3.310%* CUSIP <sup>†</sup> : 339506 BA4
						\$505,000	4.000%		Term Bonds due October 15, 2034 - Yield 3.490%* CUSIP <sup>†</sup> : 339506 BB2
						\$525,000	4.000%		Term Bonds due October 15, 2035 - Yield 3.580%* CUSIP <sup>†</sup> : 339506 BC0
						\$1,130,000	4.000%		Term Bonds due October 15, 2037 - Yield 3.760%* CUSIP <sup>†</sup> : 339506 AY3
						\$830,000	3.750%		Term Bonds due April 15, 2039 - Yield 3.930% CUSIP <sup>†</sup> : 339506 AZ0

The Bonds are offered when, as and if issued by the Issuer and subject to receipt of the approving opinion of Dykema Gossett PLLC, Lansing, Michigan, Bond Counsel to the Issuer. Certain legal matters will be passed upon for the Underwriter (as defined herein) by its counsel, Dickinson Wright PLLC, Lansing and Troy, Michigan. It is expected that delivery of the Bonds will be made in New York, New York on or about August 30, 2022.

THIS COVER PAGE CONTAINS CERTAIN 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.



Dated: August 10, 2022

+ See "RATING" herein.

<sup>†</sup> CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. Copyright (c) 2022 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the Issuer, the Underwriter or their agents or counsel assume responsibility for the accuracy of such numbers. CUSIP® numbers are subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, redemption or defeasance in whole or in part of the Bonds.

\* Yield to first optional redemption date, October 15, 2032.

No dealer, broker, salesman or other person has been authorized by the Issuer or the Underwriter 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 to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth in this Official Statement has been obtained from the Issuer, the State of Michigan and other sources which are believed to be reliable, including The Depository Trust Company with respect to the information contained in "DTC: BOOK-ENTRY-ONLY SYSTEM," but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the Issuer or the Underwriter. The information and expressions of opinion in this Official Statement are subject to change without notice, and neither the delivery of this Official Statement nor any sale made under this Official Statement shall, under any circumstances, create any implication that there has been no change in the affairs of the parties referred to above or that the other information or opinions are correct as of any time subsequent to the date of this Official Statement.

U.S. Bank Trust Company, National Association by acceptance of its duties as trustee under the Indenture, as defined herein, with the Issuer, has not reviewed this Official Statement and has made no representations as to the information contained herein, including but not limited to, any representations as to the financial feasibility of the development of related activities.

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

**IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL 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 ISSUER AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES 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.**

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## OFFICIAL STATEMENT

**\$6,710,000**

**THE ECONOMIC DEVELOPMENT CORPORATION OF THE CITY OF FLINT  
Limited Obligation Revenue Refunding Bonds, Series 2022  
(State of Michigan Department of Health and Human Services Office Building Project)**

### SUMMARY STATEMENT

The following is a brief summary of certain matters discussed elsewhere in this Official Statement and is qualified in its entirety by such discussion and the text of the actual documents described or referenced. Any capitalized term not required by the rules of grammar and usage to be capitalized is used with the meaning assigned in Appendix II or in the Indenture or other document with respect to which the term is used. Definitions contained in the text hereof are for ease of reference only and are qualified in their entirety by the definitions in Appendix II or the documents with respect to which such terms relate. The Appendices hereto are an integral part of this Official Statement and each potential investor should review the Appendices in their entirety.

This Official Statement of The Economic Development Corporation of the City of Flint (the “Issuer”) is provided in connection with the Issuer’s \$6,710,000 Limited Obligation Revenue Refunding Bonds, Series 2022 (State of Michigan Department of Health and Human Services Office Building Project) (the “Bonds”).

The Issuer is a public body corporate, duly organized and existing under the laws of the State of Michigan (the “State”) including, particularly, Act 338, Public Acts of Michigan, 1974, as amended (the “Act”). The Issuer is authorized to use the proceeds of its revenue bonds for all purposes authorized under the Act, including, without limitation, to (a) finance and refinance all or any part of the costs of certain commercial projects; (b) issue its limited obligation revenue bonds to finance such projects and refund prior issues; and (c) pledge the income and revenues to be received with respect to such projects sufficient for the payment of such bonds and the interest thereon. The Issuer may issues its bonds, notes or other obligations for any of its purposes. See “THE ISSUER.”

The principal of, premium, if any, and interest on the Bonds are secured by and payable from the payments of Base Rental to be made by the State under the Lease (as defined in this Official Statement) and other funds and revenues pledged under the Indenture (as defined in this Official Statement). Pursuant to a Mortgage (the “Mortgage”), to be executed by the Issuer in favor of the Trustee, the payment of the principal of, premium, if any, and interest on the Bonds will also be secured by a first mortgage lien on and security interest in the Project. See “Appendix II — DEFINITIONS AND SUMMARIES OF CERTAIN PROVISIONS OF THE LEASE, THE INDENTURE AND THE MORTGAGE.”

THE LEASE IS NOT A GENERAL OBLIGATION OF THE ISSUER OR THE STATE. NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE ARE PLEDGED TO THE RENTALS COMING DUE UNDER THE LEASE. THE LEASE DOES NOT CONSTITUTE “DEBT” WITHIN THE MEANING OF THE CONSTITUTION AND STATUTES OF THE STATE. THE LEASE IS SUBJECT TO TERMINATION DURING ANY FISCAL YEAR IF (A) THERE IS A SPECIFIC PROHIBITION ARISING OUT OF THE APPROPRIATION PROCESS OF THE STATE AGAINST USING THE FUNDS FOR THE LEASE OR (B) THE STATE FAILS TO APPROPRIATE FUNDS FOR THE PURPOSE OF PAYING RENT UNDER THE LEASE. THE STATE IS UNDER NO OBLIGATION TO MAKE ANY APPROPRIATION WITH RESPECT TO THE LEASE. THE LEASE IS ALSO SUBJECT TO TERMINATION UPON THE OCCURRENCE OF CERTAIN EVENTS DESCRIBED IN THIS OFFICIAL STATEMENT. SEE “SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS.” SEE ALSO “BONDHOLDERS’ RISKS – TERMINATION OF LEASE, AND – DEPENDENCE ON APPROPRIATIONS PROCESS OF THE STATE OF MICHIGAN.”

This Official Statement contains a brief description of the Bonds and the documentation relating to the Bonds and certain other information applicable to the Bonds and the security for the Bonds. Certain financial and other information concerning the State is contained in Appendices I and II. All financial and other data included in this Official Statement has been provided by the State except that which is attributed to other sources. The summaries of the Lease, the Indenture and the Mortgage contained in this Official Statement do not purport to be

complete or definitive and are qualified in their entirety by reference to such documents, copies of which may be obtained from the Trustee or, during the offering period for the Bonds, from the Underwriter.

## INTRODUCTION

The Bonds are being issued pursuant to a resolution adopted by the Issuer on June 14, 2022, and a Trust Indenture, dated as of August 1, 2022 (the “Indenture”), between the Issuer and U.S. Bank Trust Company, National Association, as trustee (the “Trustee”).

The Issuer will use the proceeds of the Bonds to (a) provide for the refunding of all or a portion of the Issuer’s Limited Obligation Revenue Bonds, Series 2011 (State of Michigan Department of Human Services Office Building Project) dated as of December 21, 2011 and issued in an original aggregate principal amount \$8,435,000 (the “Prior Bonds”), and (b) pay the costs of issuance of the Bonds and of refunding the Prior Bonds. See “SOURCES AND USES OF FUNDS.” Proceeds of the Prior Bonds were used to acquire the land and improvements located at 4817 – 4829 Clio Road, City of Flint, Michigan, containing approximately 40,734 square feet of useable space for lease to the State of Michigan for use as offices for its Department of Human Services (now known as the State of Michigan Department of Health and Human Services) (the “Project”).

The State acting by the Department of Technology, Management and Budget for the Department of Human Services (now known as the State of Michigan Department of Health and Human Services) (the “Lessee”) previously entered into the State Lease #11428-2009, between MIG Investments, LLC, a Michigan limited liability company (the “Seller”), and the Lessee, as subsequently assigned to the Issuer pursuant to a Limited Assignment of Lease entered into concurrently with the issuance of the Prior Bonds (the “Limited Assignment”), between the Seller and the Issuer, as amended by Addendum #1 to State Lease #11428-2009 (“Addendum 1”), between the Issuer and the Lessee (as amended, the “State Lease”), pursuant to which the Seller agreed to lease the Project to the Lessee. Concurrently with the issuance of the Bonds, the Issuer and the Lessee will enter into an Addendum #2 to State Lease #11428-2009, to be dated as of August 30, 2022 pursuant to which the Issuer will continue to lease the Project to the Lessee (“Addendum 2”). The State Lease, as amended by Addendum 1 and Addendum 2, is referred to hereinafter as the “Lease.”

The Project was constructed by the Seller for lease to the Lessee pursuant to the Lease. The Lease has a remaining term of approximately nineteen (19) years that commenced on October 1, 2011 and ends on September 30, 2041. In connection with the Prior Bonds, the Seller and the Issuer entered into the Limited Assignment, pursuant to which the Seller (i) assigned all of its rights under the Lease to the Issuer and (ii) retained most of its obligations under the Lease. See “Appendix II — DEFINITIONS AND SUMMARIES OF CERTAIN PROVISIONS OF THE LEASE, THE INDENTURE AND THE MORTGAGE – SUMMARY OF THE LEASE – Limited Assignment of Lease.” Concurrently with the execution of the Limited Assignment, the Issuer acquired the Project from the Seller pursuant to a Real Estate Purchase Agreement by and between the Seller and the Issuer (the “Acquisition Agreement”). Pursuant to Addendum 1, the Lessee acknowledged that upon acquisition of the Project, the Issuer became the owner of the Project with all the rights as owner and lessor of the Project under the Lease. The initial term of the Limited Assignment remains in effect through December 20, 2026, and, thereafter, automatically renews for successive one-year periods, the initial term and each renewal term of the Limited Assignment being subject to certain termination rights.

The Lessee, under the Lease, is contractually bound for the term of the Lease to pay the Issuer the Base Rental and the Expense Rental (the “Rentals”) which are payable only from State appropriations; provided, however, that such obligations of the Lessee under the Lease, including the Lessee’s obligation to pay the Rentals, may be suspended or terminated upon the occurrence of certain events specified in the Lease. See “SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS — Factors Affecting Rental Obligation.” All Base Rental received by the Issuer under the Lease will be pledged to pay the Bonds. The Expense Rental will be used for insurance, repair, replacement and improvement and are not pledged to pay the Bonds.

THE BONDS ARE LIMITED OBLIGATIONS PAYABLE SOLELY FROM AND SECURED BY A PLEDGE AND A LIEN ON THE LEASE AND ALL PAYMENTS OF THE BASE RENTAL TO BE MADE BY THE LESSEE UNDER THE LEASE, ANY NEW REVENUES, THE MORTGAGE, ALL MONEYS IN THE BOND FUND CREATED UNDER THE INDENTURE (INCLUDING THE PROCEEDS OF THE BONDS



PENDING DISBURSEMENT), AND ALL OF THE PROCEEDS OF THE FOREGOING, INCLUDING THE EARNINGS AND PROFITS DERIVED FROM THE MONEYS IN THE BOND FUND.

THE LEASE IS NOT A GENERAL OBLIGATION OF THE ISSUER OR THE STATE. NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE ARE PLEDGED TO THE RENTALS COMING DUE UNDER THE LEASE. THE LEASE DOES NOT CONSTITUTE “DEBT” WITHIN THE MEANING OF THE CONSTITUTION AND STATUTES OF THE STATE. THE LEASE IS SUBJECT TO TERMINATION DURING ANY FISCAL YEAR IF (A) THERE IS A SPECIFIC PROHIBITION ARISING OUT OF THE APPROPRIATION PROCESS OF THE STATE AGAINST USING FUNDS FOR THE LEASE OR (B) THE STATE FAILS TO APPROPRIATE FUNDS FOR THE PURPOSE OF PAYING RENT UNDER THE LEASE. THE STATE IS UNDER NO OBLIGATION TO MAKE ANY APPROPRIATION WITH RESPECT TO THE LEASE. THE LEASE IS ALSO SUBJECT TO TERMINATION UPON THE OCCURRENCE OF CERTAIN EVENTS DESCRIBED IN THIS OFFICIAL STATEMENT. SEE “SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS.” SEE ALSO “BONDHOLDERS’ RISKS – TERMINATION OF LEASE, AND – DEPENDENCE ON APPROPRIATIONS PROCESS OF THE STATE OF MICHIGAN.”

## **THE ISSUER**

### **Organization and Powers**

The Issuer is a public body corporate, duly organized and existing under the laws of the State including, particularly, Act 338, Public Acts of Michigan, 1974, as amended (“Act 338”). The Issuer was incorporated by the City of Flint, Michigan (the “City”) under Act 338 and is a separate legal entity from the City with its own board of directors. The appointment of members to the board of directors of the Issuer is controlled by the City. The Issuer is authorized to use the proceeds of its revenue bonds for all purposes authorized under Act 338, including, without limitation, to (a) finance and refinance all or any part of the costs of certain commercial projects; (b) issue its limited obligation revenue bonds to finance such projects and refund prior issues; and (c) pledge the income and revenues to be received with respect to such projects sufficient for the payment of such bonds and the interest thereon. The Issuer may issue its bonds, notes or other obligations for any of its purposes.

The Issuer has not prepared any material for inclusion in this Official Statement except the matters under the headings “THE ISSUER” and “LITIGATION—The Issuer.” The Issuer has duly approved and authorized the issuance of the Bonds, and the distribution of this Official Statement. Such approval and authorization does not, however, constitute a representation or approval by the Issuer of the accuracy or sufficiency of any information contained herein except to the extent of the information contained under the headings “THE ISSUER” and “LITIGATION—The Issuer.”

Neither the directors, officers, employees nor agents of the Issuer nor any person executing the Bonds will be personally liable on the Bonds by reason of the issuance thereof.

The Bonds are limited obligations of the Issuer as described in this Official Statement. The Bonds and interest due thereon shall not be a general obligation, debt, or liability of the Issuer or an obligation, debt, or liability of the City or the State, and do not constitute or give rise to any pecuniary liability or charge against the credit or taxing powers of the City or the State. The Bonds are limited obligations of the Issuer payable solely from payments to be made by the Lessee under the Lease, from moneys held by the Trustee under the Indenture and from the Mortgage. No holder of any Bond shall have the right to demand payment of the principal of, redemption premium, if any, or interest on that Bond out of any funds to be raised by taxation. The Issuer has no taxing power. All representations and covenants of the Issuer herein and in any proceeding, document or certification incidental to issuance of the Bonds shall not create a pecuniary liability of the Issuer, except to the extent of the Security (as defined in this Official Statement).

### **Indebtedness of the Issuer**

The Issuer is authorized to issue and may issue other series of bonds and notes secured by instruments separate and apart from the Indenture. The owners of such bonds and notes will have no claim on the assets, funds

or revenues of the Issuer securing the Bonds. The holders of the Bonds will have no claim on the assets, funds or revenues of the Issuer securing such other bonds and notes.

With respect to additional indebtedness of the Issuer, the Issuer intends to enter into separate agreements for the purpose of providing financing for eligible projects. Issues which may be sold by the Issuer in the future will be created under separate and distinct indentures or resolutions and secured by instruments, properties and revenues separate from those securing the Bonds.

## **THE BONDS**

### **General**

The Bonds will be issued in the aggregate principal amount of \$6,710,000. The Bonds will be dated the date of delivery and will bear interest at the rates set forth on the cover of this Official Statement, payable on April 15, 2023 and semiannually on each subsequent October 15 and April 15, and will mature on April 15 or October 15 in the years and in the principal amounts set forth on the cover of this Official Statement.

The principal of, premium, if any, and interest on the Bonds are payable solely from the Base Rental, other funds and revenues pledged under the Indenture, and the Mortgage. See “SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS.”

The Bonds are issuable as fully registered bonds in book-entry form and will be dated, bear interest, and mature, as set forth on the cover page of this Official Statement and as described more fully in this Official Statement under “DTC: BOOK-ENTRY-ONLY SYSTEM.” Interest on the Bonds will be computed on the basis of a 360-day year consisting of 12 months of 30 days each.

The Trustee will serve as registrar and paying agent and will keep all books and records necessary for registration, exchange and transfer of the Bonds in accordance with the terms of the Indenture.

The Bonds, when issued, will be registered in the name of Cede & Co. as nominee for DTC (as defined in this Official Statement). Purchases of beneficial interests in the Bonds will be made in book-entry-only form in denominations of \$5,000 or integral multiples of \$5,000. So long as Cede & Co., as nominee for DTC, is the registered owner of the Bonds, the transfer of interests in the Bonds shall be the sole responsibility of the Direct Participants, the Indirect Participants and the Beneficial Owners (each term as defined in this Official Statement). The Issuer shall have no responsibility with respect to such transfers. See “DTC: BOOK-ENTRY-ONLY SYSTEM.”

### **Investment Considerations**

A prospective purchaser of the Bonds should carefully consider the suitability of such an investment, including his or her tax situation, liquidity needs, investment goals and cash needs. A prospective purchaser of the Bonds should compare the marketability of the Bonds to other tax-exempt and taxable investments. Generally, the price for which an investor can sell a fixed-income investment like the Bonds depends upon a number of factors, including the then current interest rate for similar obligations. If interest rates for similar obligations are higher than the interest rate or yield to maturity on the Bond being sold, the Bond being sold should be expected to sell for a price which is less than the principal amount of the Bond.

### **Redemption Provisions**

*Optional Redemption.* The Bonds maturing or subject to mandatory redemption on and after October 15, 2033 will be subject to optional redemption in whole or in part in such order as the Issuer shall determine, in integral multiples of \$5,000 on any date on or after October 15, 2032 at the redemption price of par, plus accrued interest to the date of redemption.

*Mandatory Redemption of Term Bonds*

The Bonds maturing October 15, 2033, October 15, 2034, October 15, 2035, October 15, 2037, and April 15, 2039 are term bonds (the “Term Bonds”) subject to mandatory sinking fund redemption, in the years and amounts set forth below, at a price equal to 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption.

Term Bonds due October 15, 2033

<u>Redemption Dates</u>	<u>Principal Amounts</u>
04/15/2033	\$ 240,000
10/15/2033 (maturity)	245,000

Term Bonds due October 15, 2034

<u>Redemption Dates</u>	<u>Principal Amounts</u>
04/15/2034	\$ 250,000
10/15/2034 (maturity)	255,000

Term Bonds due October 15, 2035

<u>Redemption Dates</u>	<u>Principal Amounts</u>
04/15/2035	\$ 260,000
10/15/2035 (maturity)	265,000

Term Bonds due October 15, 2037

<u>Redemption Dates</u>	<u>Principal Amounts</u>
04/15/2036	\$ 270,000
10/15/2036	275,000
04/15/2037	290,000
10/15/2037 (maturity)	295,000

Term Bonds due April 15, 2039

<u>Redemption Dates</u>	<u>Principal Amounts</u>
04/15/2038	\$ 300,000
10/15/2038	305,000
04/15/2039 (maturity)	225,000

The principal amount of Term Bonds to be redeemed shall be reduced, in the order determined by the Issuer, by the principal amount of Term Bonds of the same maturity which have been previously redeemed (otherwise than as a result of a previous mandatory redemption requirement), or purchased or acquired by the Issuer and delivered to the Trustee for cancellation; provided, that each such Term Bond has not previously been applied as a credit against any mandatory redemption obligation.

*Prior Redemption of 2039 Term Bonds.* Pursuant to the Indenture, the Trustee, prior to maturity of the Term Bonds maturing on April 15, 2039 (the “2039 Term Bonds”), shall redeem an amount of the 2039 Term Bonds corresponding to the amount of the balance on deposit in the Retained Obligations Account in excess of the sum of the Retained Obligations Reserve Requirement plus \$9,750.00 (the next succeeding semi-annual amount of Retained Obligations Fee). The Trustee is required to determine the amount of such excess to the next lowest authorized denomination on or before the third business day following receipt of Rental and any other New Revenues on September 1, 2032 and cause notice of redemption of the corresponding portion of the 2039 Term Bonds with a redemption date of October 15, 2032. See “Appendix II – DEFINITIONS AND SUMMARIES OF CERTAIN PROVISIONS OF THE LEASE, THE INDENTURE AND THE MORTGAGE – SUMMARY OF THE INDENTURE – Project Maintenance Fund – Application of Retained Obligations Account.”

*Extraordinary Redemption.* The Bonds may also be redeemed in whole or in part on any date and in any order of maturity (and by lot within a maturity) as determined by the Issuer if (i) the Project or any part of the Project has been damaged or destroyed resulting in the Project being not available for use by the Lessee or (ii) the Lease has been terminated. Bonds called for redemption pursuant to this provision shall be redeemable at a price of 100% of the principal amount thereof, plus accrued interest to the date of redemption.

*Notice of Redemption and Manner of Selection Relating to the Bonds.* Notice of Redemption and Manner of Selection Relating to the Bonds. Notice of redemption of the Bonds will be given at least 30 days prior to the date fixed for redemption, by mail to the Registered Owners at the address appearing on the books of the Trustee. Any notice of redemption may state that it is conditional in nature and may be rescinded at any time on or before the business day prior to the redemption date. The failure to receive any such mailed notice, or further notices as described below, will not affect the validity of the redemption. The Bonds so called for redemption will not bear interest after the date fixed for redemption, provided funds are on hand with the Trustee to redeem the same. The Bonds shall be called for redemption in multiples of \$5,000. Bonds of denominations of more than \$5,000 face amount shall be treated for redemption as representing the number of Bonds obtained by dividing the denomination of the Bonds by \$5,000, and such Bonds may be selected for redemption in part. The owner of any Bond selected for redemption in part, upon surrender of the Bond for redemption, will receive without cost a new Bond of like tenor, interest rate and maturity in the amount of the unredeemed portion of the Bond being surrendered.

If the Bonds are registered in book-entry only form and so long as DTC (as defined herein) or its nominee is the sole registered owner of the Bonds, if less than all of the Bonds are called for redemption, such Bonds shall be redeemed on a "Pro Rata Pass-Through Distribution of Principal" basis in accordance with the rules and procedures of DTC, provided that the selection for redemption of such Bonds shall be made in accordance with the operational arrangements of DTC then in effect. If DTC's rules and procedures at such time do not allow for redemption on a Pro Rata Pass-Through Distribution of Principal basis, the Bonds shall be selected for redemption, in accordance with DTC's rules and procedures, by lot, or in such other manner as provided by the operational arrangements of DTC then in effect.

If DTC or its nominee is no longer the sole registered owner of the Bonds, and if less than all of the Bonds are called for redemption, such Bonds shall be redeemed by the Trustee on a pro rata basis in accordance with the rules and procedures of the Trustee then in effect, or, if the Trustee's rules and procedures at such time do not allow for redemption on a pro rata basis, the Bonds to be redeemed shall be selected by lot by the Trustee in such manner as the Trustee in its discretion may determine.

### **Payments of Principal, Premium and Interest**

The Bonds will be registered as to both principal of, premium, if any, and interest on the books of the Issuer maintained for that purpose at the designated corporate trust office of the Trustee. The principal or redemption price of the Bonds, as applicable, will be payable upon maturity or prior redemption upon surrender of the Bonds at the designated corporate trust office of the Trustee. Interest on the Bonds shall be payable when due by check or draft mailed by the Trustee to the person or entity who or which is as of the first (1st) day of the month preceding each interest payment date, the registered owner of record, at the registered address. Interest on the Bonds is computed on the basis of a 360-day year consisting of 12 months of 30 days each. Notwithstanding the foregoing, so long as the Bonds are registered as book-entry bonds with DTC, the method for payment of principal, premium, if any, and interest on the Bonds shall be as required pursuant to the operating procedures of DTC described below.

### **Depositories**

Moneys in the several funds and accounts established by the Indenture are to be deposited with the Trustee in trust and may be kept by the Trustee in one or more bank accounts along with other moneys of the Issuer and, if so kept, moneys pertaining to each fund or account shall be allocated on the books and records of the Trustee to such fund or account at the times and in the amounts provided in the Indenture.

## **DTC: BOOK-ENTRY-ONLY SYSTEM**

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Bonds (which, for purposes of this subsection only, are referred to as the “Securities”). The Securities 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 Security certificate will be issued for each maturity of the Securities, 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, 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](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC’s records. The ownership interest of each actual purchaser of each Security (“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 Securities 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 Securities, except in the event that use of the book-entry system for the Securities is discontinued.

To facilitate subsequent transfers, all Securities 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 Securities with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Securities 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. To the extent permitted by the Indenture, Beneficial Owners of Securities may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to

Beneficial Owners, or in the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Securities unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer 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 Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Securities 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 Issuer or Agent on 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 or the Issuer, 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 Issuer, 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 securities depository with respect to the Securities at any time by giving reasonable notice to the Issuer. Under such circumstances, in the event that a successor securities depository is not obtained, Security certificates are required to be printed and delivered.

The Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

**THE INFORMATION IN THIS SECTION "DTC: BOOK-ENTRY-ONLY SYSTEM" HAS BEEN FURNISHED BY DTC. NO REPRESENTATION IS MADE BY THE ISSUER OR THE UNDERWRITER 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 ISSUER OR THE UNDERWRITER TO DETERMINE WHETHER DTC IS OR WILL BE FINANCIALLY OR OTHERWISE CAPABLE OF FULFILLING ITS OBLIGATIONS. NEITHER THE ISSUER NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR THE PERSONS FOR WHICH THEY ACT AS NOMINEES WITH RESPECT TO THE BONDS, OR FOR ANY PRINCIPAL, PREMIUM, IF ANY, OR INTEREST PAYMENT ON THE BONDS.**

### **Transfer of the Bonds**

So long as Cede & Co., as nominee for DTC, is the Registered Owner of the Bonds, beneficial ownership interests in the Bonds may only be transferred through a DTC Participant or Indirect Participant and recorded on the book-entry-only system operated by DTC. In the event the book-entry-only system is discontinued, any Bond may be transferred by the person in whose name it is registered, in person or by his duly authorized attorney or legal representative, upon surrender of the Bond to the Trustee for cancellation, together with a duly executed instrument of transfer in a form approved by the Trustee. Whenever any Bonds are surrendered for transfer the Trustee shall authenticate and deliver new Bonds of like tenor, aggregate principal amount, interest rate, and maturity. The Trustee may require the Registered Owner requesting the transfer to pay any tax, fee or other governmental charge required to be paid with respect to the transfer. Neither the Issuer nor the Trustee shall be required to (i) register the transfer of or exchange any Bond during a period beginning at the opening of business five Business Days before the day of the mailing of a notice of redemption of Bonds selected for redemption and ending at the close of business on

the day of that mailing, (ii) register the transfer of or exchange any Bond selected for redemption in whole or in part except the unredeemed portion of Bonds being redeemed in part, or (iii) make any such exchange or transfer of any Bond during the 15 days immediately preceding an interest payment date on the Bonds.

## REFUNDING PLAN

A portion of the proceeds of the Bonds will be used to establish an irrevocable escrow fund (the “Escrow Fund”) composed of cash and/or non-callable direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America or other obligations the principal of and interest on which are fully guaranteed by the foregoing, which will be held by the designated corporate trust office of U.S. Bank Trust Company, Detroit, Michigan, as escrow trustee (the “Escrow Trustee”) and will be used to pay the principal of and interest on all or a portion of the Prior Bonds upon call thereof for redemption (as called for redemption, the “Refunded Bonds”). The Escrow Fund will be held by the Escrow Trustee pursuant to an escrow agreement (the “Escrow Agreement”), which irrevocably directs the Escrow Trustee to make the payment of principal of and interest on the Refunded Bonds upon call for redemption. The Escrow Fund will be such that the cash and the principal and interest payments received on the investments will be sufficient, without reinvestment, except as provided in the Escrow Agreement, to pay the principal of and interest on the Refunded Bonds upon call for redemption, as set forth in the table below. The Refunded Bonds will be called for redemption approximately thirty (30) days following the date of issuance of the Bonds.

### Principal of and Interest on the Refunded Bonds to be Paid from the Escrow Fund

Date	Principal	Interest	Total
09/30/2022	\$7,305,000	\$185,439.03	\$7,490,439.03

## SOURCES AND USES OF FUNDS

The proceeds of the Bonds will be used to (a) refund the Refunded Bonds and (b) pay the costs of issuance of the Bonds and of refunding the Prior Bonds.

The estimated sources and uses of funds are as follows:

### Sources of Funds

Par Amount of Bonds	\$6,710,000.00
Net Original Issue Premium	470,667.20
Contribution from Prior Bonds’ Debt Service Account	318,537.73
Contribution from Prior Bonds’ Debt Service Reserve Account	181,458.63
Contribution from Prior Bonds’ Other Indentured Accounts	<u>62,648.87</u>
Total Sources	<u>\$7,743,312.43</u>

### Uses of Funds

Deposit to Escrow Fund	\$7,476,343.54
Costs of Issuance, including Underwriter’s Discount	<u>266,968.89</u>
Total Uses	<u>\$7,743,312.43</u>

## SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS

### General

The Bonds are payable solely from and secured by a pledge and a lien on (a) the Lease, (b) all payments of the Base Rental to be made by the Lessee under the Lease, (c) any New Revenues, (d) the Mortgage, (e) all moneys in the Bond Fund (including the proceeds of the Bonds pending disbursement), and (f) all of the proceeds of the foregoing, including the earnings and profits derived from the moneys in the Bond Fund (collectively, the “Security”).

THE BONDS WILL BE LIMITED OBLIGATIONS OF THE ISSUER AND WILL NOT CONSTITUTE GENERAL OBLIGATIONS OF THE ISSUER, OR OBLIGATIONS OR DEBTS OF THE CITY OR THE STATE, WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY LIMITATION, AND NEITHER THE CREDIT OF THE CITY OR THE STATE NOR THE TAXING POWER OF THE CITY OR THE STATE IS PLEDGED FOR THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR THE INTEREST ON THE BONDS. THE ISSUER HAS NO TAXING POWER. ALL REPRESENTATIONS AND COVENANTS OF THE ISSUER HEREIN AND IN ANY PROCEEDING, DOCUMENT OR CERTIFICATION INCIDENTAL TO ISSUANCE OF THE BONDS SHALL NOT CREATE A PECUNIARY LIABILITY OF THE ISSUER, EXCEPT TO THE EXTENT OF THE SECURITY.

### Pledge of Base Rental from the Lease

Upon the issuance of the Bonds, the Base Rental from the Lease will be payable to the Trustee, as assignee of the Issuer, and will be used, when paid, (i) for payment of principal of and interest on the Bonds when due, (ii) for payment of insurance premiums, Trustee fees, and expenses and administrative fees of the Issuer, (iii) to pay the Monthly Management Fees with respect to the Project, (iv) to make deposits in the Repair and Replacement Account, and (v) to compensate the Seller for assuming the Retained Obligations.

The amount of the Base Rental to be paid under the Lease will be sufficient to pay the principal of the Bonds when due (whether at maturity or on a mandatory redemption date) and the interest on the Bonds on each interest payment date.

Upon the issuance of the Bonds, title to the Project will remain with the Issuer, and the Issuer will continue to lease the Project to the Lessee under the Lease. Appropriations by the State for payment of Rentals are an ordinary expense and contractual obligation of the State. Under the Lease, payments are due, in advance, on the first day of each month during the term of the Lease.

The Lease requires that all operation and maintenance expenses of the Project, including insurance premiums for insurance required by the Lease, be paid by the Issuer and reimbursed by the Expense Rental paid by the Lessee, except rental interruption and business interruption insurance which are the responsibility of the Issuer. See “Appendix II — DEFINITIONS AND SUMMARIES OF CERTAIN PROVISIONS OF THE LEASE, THE INDENTURE AND THE MORTGAGE – SUMMARY OF THE LEASE – Operation and Maintenance of Project.” Expense Rental will be paid monthly under the Lease and will be deposited in the Expense Account of the Project Maintenance Fund and will be used to pay insurance and maintenance expenses for the Project. Amounts in the Expense Account of the Project Maintenance Fund will not be pledged to pay the Bonds and will not constitute a part of the Security.

### Verification of Lease Rental Sufficiency

On or prior to the date of delivery of the Bonds, Causey Demgen & Moore P.C., Denver, Colorado, independent certified public accountants, will deliver a report attesting to the mathematical accuracy of the computations contained in the schedules prepared by the Underwriter on behalf of the Issuer relating to the sufficiency of the anticipated cash flow from the Rentals to pay the principal of the Bonds at maturity and the interest on the Bonds on their respective payment dates.



## **Factors Affecting Rental Obligation**

Although the Issuer believes that the Base Rental, together with other revenues contemplated by the Indenture, will provide adequate funds to pay debt service on the Bonds, the occurrence of certain events described in “Appendix II — DEFINITIONS AND SUMMARIES OF CERTAIN PROVISIONS OF THE LEASE, THE INDENTURE AND THE MORTGAGE – SUMMARY OF THE LEASE – Termination of the Lease, and – Destruction of the Project” could result in the termination of the obligations of the Lessee under the Lease, including the Lessee’s obligation to pay Base Rental thereunder. In addition, if the Project becomes untenable (or partially untenable if the remaining portions of the Project cannot be used by the Lessee for its lawful governmental purposes), the Base Rental payments may be adjusted accordingly as described in “Appendix II — DEFINITIONS AND SUMMARIES OF CERTAIN PROVISIONS OF THE LEASE, THE INDENTURE AND THE MORTGAGE – SUMMARY OF THE LEASE – Base Rental and Expense Rental.” As a result, no assurance can be given that under all circumstances the Base Rental and other revenues to be realized by the Issuer will be sufficient to pay such debt service.

Termination of the Lease by the Lessee as described in “Appendix II — DEFINITIONS AND SUMMARIES OF CERTAIN PROVISIONS OF THE LEASE, THE INDENTURE AND THE MORTGAGE – SUMMARY OF THE LEASE – Termination of the Lease, and – Destruction of the Project” or adjustment of Rental payments as described in “Appendix II — DEFINITIONS AND SUMMARIES OF CERTAIN PROVISIONS OF THE LEASE, THE INDENTURE AND THE MORTGAGE – SUMMARY OF THE LEASE – Base Rental and Expense Rental” would not result in a default by the Lessee under the Lease. In addition, the Lease does not provide for acceleration of the Rentals with respect to the Project in the event of a default by the Lessee.

The rights or remedies of the owners of the Bonds against the Issuer or the Lessee, as appropriate, may be affected by bankruptcy, insolvency, fraudulent conveyance or other laws affecting creditors’ rights generally, and by the application of general principles of equity including those relating to equitable subordination, now existing or later enacted.

## **Mortgage**

Pursuant to the Mortgage, as security for the Bonds, the Issuer has granted to the Trustee for the benefit of the Bondholders a first priority mortgage lien on the Project. The Mortgage is subject to certain permitted encumbrances, as set forth therein. Upon an Event of Default under the Indenture, the Trustee may exercise all of the rights and remedies available under the Indenture and the Mortgage, including the commencement of foreclosure proceedings and sale of the Project to a purchaser at a public sale.

## **Additional Bonds**

The Issuer may issue Additional Bonds on a parity as to the Security with the Bonds for the purposes of (i) making improvements to the Facilities and paying capitalized interest on any Additional Bonds during the period of construction of such improvements, (ii) redeeming prior to their maturities or at maturity all or any part of the Bonds or any Additional Bonds, and (iii) paying the cost of issuing the Additional Bonds, upon compliance with certain terms and conditions for such issuance set forth in the Indenture. Such conditions include, among others, the requirement that the Rentals from the Lease and any amendments to the Lease, together with other available revenues, if any, will be equal to or greater than the annual debt service requirements (including mandatory redemptions) on the Outstanding Bonds and all Additional Bonds.

## **BONDHOLDERS’ RISKS**

This Official Statement is furnished solely to provide information for consideration in connection with an investment in the Bonds. Purchase of the Bonds involves a high degree of risk, including the risk of nonpayment of principal and interest and the loss of all or part of the investment. Prospective purchasers should carefully evaluate the risks and merits of an investment in the Bonds, should confer with their own legal and financial advisors and should be able to bear the risk of loss of their investment in the Bonds before considering a purchase of the Bonds.

The sections that follow discuss some specific risk factors associated with the Bonds. These factors are not, and are not intended to be, exhaustive, nor are they necessarily presented in the order of their magnitude.

### **Termination of Lease**

The Lease is subject to termination during any fiscal year if (a) there is a specific prohibition arising out of the appropriation process of the State against using funds for the Lease or (b) the State fails to appropriate funds for the purpose of paying rent under the Lease. The State is under no obligation to make any appropriation with respect to the Lease. See “BONDHOLDERS’ RISKS – Dependence on Appropriations Process of the State of Michigan.” The Lease is also subject to termination upon the occurrence of certain events described in this Official Statement. If the Lease were to terminate, the only sources of payment for the Bonds would be (i) any New Revenues, (ii) insurance proceeds, including proceeds of a rental interruption insurance policy and a business interruption insurance policy, payable upon damage to the Project, and (iii) any proceeds realized from the exercise of remedies by the Trustee under the Mortgage. There is no assurance that either the Issuer or the Trustee could replace the Lessee with a new tenant or that any replacement tenant would lease the Project for a rental sufficient to pay the principal of, interest on, and premium on, if any, the Bonds. See “Appendix II — DEFINITIONS AND SUMMARIES OF CERTAIN PROVISIONS OF THE LEASE, THE INDENTURE AND THE MORTGAGE – Termination of the Lease.”

### **Dependence on Appropriations Process of the State of Michigan**

The Rentals are designed to be sufficient to pay the principal of and interest on the Bonds, as well as the operation and maintenance expenses of the Project. The Lessee’s access to funds requires annual appropriations by the Michigan Legislature. Such appropriations are made to the annual budget of the Lessee, and are not made by the Michigan Legislature on a line-item basis for the Project. There is no guarantee that the Michigan Legislature will make such appropriations or that such appropriations will be made timely in any fiscal year. In the event the Michigan Legislature does not make such appropriations and the Lessee does not have sufficient available funds to continue funding the Rentals, the Issuer’s ability to provide sufficient funds to pay the debt service on the Bonds will be adversely affected.

### **Value of Mortgaged Project**

Security for the Bonds includes a first mortgage lien on the Project evidenced by the Mortgage in favor of the Trustee for the benefit of the Bondholders. The value of the Project (and hence the value of any foreclosure proceeds) at any given time will be directly affected by market and financial conditions which are not in the control of the parties involved in the transaction. Real property values can fluctuate substantially, and there is nothing associated with the Project to suggest that its value would remain stable or would increase if the general values of property in the community were to decline. Such risks include environmental matters, fire and other casualty, condemnation, increased taxes, changes in demand for the Project, decline in local and general economic conditions and changing governmental regulations.

A potential purchaser of the Bonds should not assume that it will be possible to obtain proceeds from the foreclosure of the Mortgage and the sale of the Project or from the sale of personal property secured by the Mortgage after a foreclosure of the Mortgage, for an amount equal to the aggregate principal amount of the Bonds then outstanding plus accrued interest thereon. If the Project is sold pursuant to a foreclosure sale under the Mortgage (and there is no assurance that there would be any purchaser upon a foreclosure sale) for an amount less than the aggregate principal amount of and accrued interest on the Bonds, such partial payment may be the only payment to the Bondholders. See “Appendix II — DEFINITIONS AND SUMMARIES OF CERTAIN PROVISIONS OF THE LEASE, THE INDENTURE AND THE MORTGAGE – The Mortgage.”

### **Damage or Destruction of the Project**

The Lease requires that the Project be insured against certain risks in certain amounts. There can be no assurance that the amount of insurance required to be obtained will be adequate or that the cause of any damage or destruction will be as a result of an insured risk. Further, there can be no assurance of the creditworthiness of the

insurance companies from which the Issuer will obtain the required insurance policies. The Issuer may choose not to rebuild if a casualty renders the Project totally or partially untenable, unfit for their purposes, or if the insurance proceeds are insufficient to restore the Project to tenantable condition.

### **Environmental Regulation**

There are potential risks relating to environmental liability associated with ownership of or secured lending with respect to real property. When hazardous substances are found on real property, owners or secured lenders may be held liable for costs and other damages relating to such hazardous substances unless they comply with provisions of law designed to provide them with liability protection. The Trustee as mortgagee on behalf of the Bondholders may avoid such liability with respect to the Project if it does not directly participate in the ownership or management of the Project. Moreover, as a general matter, when hazardous substances are found on real property, a secured lender may avoid potential liability under Part 201 of the Michigan Natural Resources Environmental Response Act, M.C.L. 324.20101-.20142 if a baseline environmental assessment (“BEA”) is timely conducted and the results of the BEA are timely disclosed to the Michigan Department of Environmental Quality and any subsequent purchaser or transferee.

In connection with the Prior Bonds, ASTI Environmental completed a Phase I Environmental Site Assessment for the Project, dated December 7, 2011, following the guidance of the ASTM E 1527-05 Phase I Standard Practice for Environmental Site Assessments. The Environmental Site Assessment did not identify any recognized environmental conditions at the Project. No additional environmental site assessment has been or will be prepared in connection with the issuance of the Bonds.

### **Matters Relating to Enforceability**

The practical realization of any rights of the Bondholders upon any default will depend upon the exercise of various remedies specified in the Mortgage and the Indenture. These remedies, in certain respects, may require judicial action, which is often subject to discretion and delay. Under existing law, certain of the remedies specified in the Mortgage and the Indenture may not be readily available or may be limited. A court may decide not to order the specific performance of the covenants contained in these documents. Therefore, there is no assurance that in the event of a default the Trustee will be able to obtain possession of the Project under the Mortgage after an event of default, and there is no assurance that the Trustee will be able to generate revenue therefrom that will be sufficient to pay the Bonds. The Trustee is not in the business of operating facilities such as the Project, and any amount that might be realized from such operation is uncertain.

A court in bankruptcy, foreclosure or insolvency proceedings may recognize rights held by the Lessee to continued occupancy.

### **Management Agreement with Boji Group, LLC**

The Issuer is an economic development agency created by the City of Flint to promote economic development within the City. The Issuer has no expertise in managing or leasing property and no staff to handle such an obligation internally. Furthermore, the Issuer has no resources available to fund its obligations under the Lease, the Indenture and the Mortgage other than the rental payments received under the Lease. In connection with the issuance of the Prior Bonds and the execution of the Limited Assignment and the Acquisition Agreement, the Issuer entered into a management agreement (the “Management Agreement”) with Boji Group, LLC, a Michigan limited liability company (the “Boji Group”) for the Boji Group to provide management of the Project pursuant to which the Boji Group has managed and will continue to manage the Project. The Boji Group is an affiliate of the Seller. The Boji Group is a diversified company with interests in real estate development and property management, distribution and wholesale services, convenience stores, retail and the hospitality industry. One of the factors in the success of the Project will be the ability of the Boji Group to successfully manage the Project in accordance with the terms of the Management Agreement. The Boji Group is a privately held company with a small number of long tenured senior executives. If the Boji Group was unable to perform its obligations under the Management Agreement, the Issuer would need to secure a replacement manager for the Project.

## LITIGATION

### *The State*

The State is a party to various legal proceedings seeking damages or injunctive or other relief. In addition to routine litigation, certain of these proceedings could, if unfavorably resolved from the point of view of the State, substantially affect State programs or finances. The State is also a party to various legal proceedings which, if resolved in the State's favor, would result in contingency gains to the State's General Fund balance, but without material effect upon Fund balance. The ultimate dispositions and consequences of all of these proceedings are not presently determinable.

For additional information on significant litigation relating to the State see "LITIGATION" in Appendix I.

### *The Issuer*

As of the date hereof, there is no litigation of any nature pending or threatened against the Issuer to restrain or enjoin the issuance, sale, execution, or delivery of the Bonds, or in any way contesting or affecting the validity of the Bonds or any proceedings of the Issuer taken with respect to the issuance or sale thereof, or the pledge or application of any monies or security for the Bonds or the existence or powers of the Issuer.

## APPROVAL OF LEGALITY

All of the legal proceedings in connection with the authorization and issuance of the Bonds are subject to approval of Bond Counsel, Dykema Gossett PLLC, Lansing, Michigan. The approving opinion of Bond Counsel to the Issuer as to the authorization, issuance, sale and delivery of the Bonds in substantially the form attached hereto as Appendix III will be delivered at the closing. The fees of Bond Counsel in connection with the issuance of such approving opinion will be paid from the proceeds of the Bonds as one of the costs of issuance.

Certain legal matters will be passed upon for the Issuer by Bond Counsel. Certain legal matters will be passed upon for the Underwriter by its counsel, Dickinson Wright PLLC.

Dykema Gossett PLLC and Dickinson Wright PLLC, have in the past represented, are now representing and may in the future represent the Issuer, the State, the Underwriter and/or one or more purchasers of the Bonds with respect to matters unrelated to the issuance of the Bonds. By the purchase of one or more of the Bonds, such purchaser consents to such unrelated representations and to such firms acting as Bond Counsel and Underwriter's Counsel with respect to the Bonds.

## TAX MATTERS

### **General**

In the opinion of Dykema Gossett PLLC, bond counsel ("Bond Counsel") to the Issuer, based on its examination of the documents described in its opinion, under existing law the interest on the Bonds is excludable from gross income for federal income tax purposes, and is not treated as an item of tax preference in calculating the federal individual alternative minimum tax; however, interest on the Bonds held by an "applicable corporation" (as defined in Section 59(k) of the Internal Revenue Code of 1986, as amended (the "Code")) is included in annual "adjusted financial statement income" for purposes of calculating the alternative minimum tax imposed on an applicable corporation for tax years beginning after December 31, 2022. In addition, in the opinion of Bond Counsel, based on its examination of the documents described in its opinion, under existing law, the Bonds and the interest thereon are exempt from all taxation by the State of Michigan or a political subdivision within the State of Michigan except for estate taxes and taxes on gains realized from the sale, payment or other disposition thereof. Bond Counsel will express no opinion regarding any other federal or state tax consequences arising with respect to the Bonds and the interest thereon.

The opinion of Bond Counsel on state and federal tax matters is based on the accuracy of certain representations and certifications, and continuing compliance with certain covenants, of the Issuer contained in the

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

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

### **Tax Treatment of Accruals on Original Issue Discount Bonds**

For federal income tax purposes and under existing law, if the initial offering prices to the public (excluding bond houses and brokers) of a bond is less than the stated redemption price of such bond at maturity, then such bond is considered to have "original issue discount" ("OID") equal to the difference between the initial offering price and the amount payable at maturity (such bonds are referred to as "OID Bonds"). The discount on OID Bonds is treated as interest excludable from federal gross income to the extent properly allocable to each registered owner thereof. The OID accrues over the term to maturity of each such OID Bond on the basis of a constant interest rate compounded at the end of each six-month period (or shorter period from the date of original issue) with straight line interpolations between compounding dates. The amount of OID accruing during each period is added to the adjusted basis of such OID Bonds to determine taxable gain upon disposition (including sale, redemption or payment on maturity) of such OID Bonds.

The Code contains certain provisions relating to the accrual of OID in the case of registered owners of the OID Bonds who purchase such bonds after the initial offering of a substantial amount thereof. Registered owners who do not purchase such OID Bonds in the initial offering at the initial offering and purchase prices should consult their own tax advisors with respect to the tax consequences of ownership of such OID Bonds.

### **Bond Premium**

For federal income tax purposes, the excess of the initial offering price to the public (excluding bond houses and brokers) at which a bond is sold over the amount payable at maturity thereof constitutes for the original purchasers of such bonds an amortizable bond premium (such bonds are referred to as the "Original Premium Bonds"). Bonds other than Original Premium Bonds may also be subject to an amortizable bond premium determined generally with regard to the taxpayer's basis (for purposes of determining loss on a sale or exchange) and the amount payable on maturity or, in certain cases on an earlier call date (such bonds collectively with the Original Premium Bonds as the "Premium Bonds"). Such amortizable bond premium is not deductible from gross income but is treated for federal income tax purposes as an offset of the amount of stated interest paid on the Premium Bonds, which may 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 registered owner's yield to maturity determined by using the registered owner's basis (for purposes of determining loss on sale or exchange) of such Premium Bonds and compounding at the close of each six-month accrual period. The amount of amortizable bond premium allocable to each taxable year is deducted from the registered owner's adjusted basis of such Premium Bonds to determine taxable gain upon disposition (including sale, redemption or payment at maturity) of such Premium Bonds.

## **Market Discount**

The “market discount rules” of the Code apply to the Bonds. Accordingly, holders acquiring their Bonds subsequent to the initial issuance of the Bonds will generally be required to treat market discount recognized under the provisions of the Code as ordinary taxable income (as opposed to capital gain income). Holders should consult their own tax advisors regarding the application of the market discount provisions of the Code and the advisability of making any of the elections relating to market discount allowed by the Code.

## **Information Reporting and Backup Withholding**

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

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

## **Future Developments**

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

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

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

## RATING

Moody's Investors Service ("Moody's") has assigned the Bonds its municipal bond rating of "Aa3". Such rating is based upon certain information and materials concerning the Bonds and the Issuer furnished by the Issuer to Moody's. Any explanation of the significance of the rating may be obtained only from Moody's. There is no assurance that the rating will continue for any given period of time or that any rating may not be revised downward or withdrawn if in the judgment of a rating agency circumstances so warrant. Any such downward revision or withdrawal of a rating or other actions by a rating agency may have an adverse effect on the market price of the Bonds.

## CONTINUING DISCLOSURE UNDERTAKINGS

The Issuer and the State will each execute a Continuing Disclosure Undertaking (collectively, the "Continuing Disclosure Undertakings") in the forms set forth in "Appendix IV — FORMS OF CONTINUING DISCLOSURE UNDERTAKINGS" for the benefit of the Bondholders and Beneficial Owners (as such terms are defined in the Continuing Disclosure Undertakings) of the Bonds. The Issuer will covenant in the Continuing Disclosure Undertaking signed by the Issuer to provide notices of the occurrence of certain enumerated events. The State will covenant in the Continuing Disclosure Undertaking signed by the State to disclose certain financial information and operating data, commencing with the report for the fiscal year ended September 30, 2022 (the "Annual Financial Information") and to provide notices of any change in any rating on any general obligation indebtedness for which the State is liable. The Continuing Disclosure Undertakings require that the Annual Financial Information and notices of events be filed with the Municipal Securities Rulemaking Board ("MSRB") by electronic transmission through the Electronic Municipal Market Access ("EMMA") Dataport of the MSRB. The specific nature of the information to be contained in the Annual Financial Information or the notices of events is set forth in "Appendix IV — FORMS OF CONTINUING DISCLOSURE UNDERTAKINGS." These covenants have been made in order to assist the Underwriter named on the cover page of this Official Statement to comply with paragraph (b)(5) of Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission.

Except as described in the Continuing Disclosure Undertakings, the provisions of the Continuing Disclosure Undertakings will create no rights in any other person or entity. The obligation of the Issuer or the State to comply with the provisions of the Continuing Disclosure Undertaking which it signed is enforceable by any Bondholder or Beneficial Owner (as such terms are defined in the Continuing Disclosure Undertakings). The right to enforce the provisions of the Continuing Disclosure Undertakings is limited to a right, by action in mandamus or for specific performance, to compel performance of the obligations of the Issuer or the State under the Continuing Disclosure Undertaking which it signed. Any failure by the Issuer or the State to perform in accordance with the Continuing Disclosure Undertaking which it signed will not constitute a default or an Event of Default under the Indenture, and the rights and remedies provided by the Indenture upon the occurrence of a default or an Event of Default will not apply to any such failure.

A failure by the Issuer or the State to comply with its respective Continuing Disclosure Undertaking must be reported by the Issuer or the State, as the case may be, in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such failure may adversely affect the marketability and liquidity of the Bonds and the market price thereof.

The Issuer is in compliance in all material respects with all previous undertakings with regard to the Rule to provide timely notice notices of events pursuant to the Rule. The Issuer has not previously been required to file updates of any annual financial information pursuant to the Rule.

The following statement has been provided by the State:

In the last five years, the State has not failed to comply in all material respects with any previous undertakings with regard to Rule 15c2-12 to provide annual reports or notices of material events pursuant to Rule 15c2-12. Although not believed by the State to be material, the following instances are noted:

### Certain State Actions with Respect to Continuing Disclosure

Date	Action	Reason for Notice	Bonds Affected
August 18, 2017	Filed EMMA notice	Table 9 – “Allocation of Motor Vehicle Related Sales Tax Revenue Fiscal Year 2015” was inadvertently omitted from State’s annual filing due April 30, 2016.	Outstanding State of Michigan Comprehensive Transportation Bonds
February 27, 2020	Filed EMMA notice	State timely filed Comprehensive Annual Financial Report for the State fiscal year ended September 30, 2015, but did not include all applicable CUSIPS.	State of Michigan General Obligation Environmental Program Bonds, Series 2016A (Tax-Exempt)
February 27, 2020	Filed EMMA notice	State timely filed Comprehensive Annual Financial Report and Operating Data for the State fiscal years ended September 30, 2017 and September 30, 2018, but did not include all applicable CUSIPS.	State of Michigan State Trunk Line Fund Bonds, Series 2011

### FINANCIAL INFORMATION

Complete financial statements of all of the State’s funds as included in the State of Michigan Annual Comprehensive Financial Report prepared by the State’s Department of Technology, Management and Budget for fiscal years ended September 30, 2019, 2020, and 2021, which were released on March 6, 2020, March 19, 2021, and March 18, 2022, respectively, are available at [www.michigan.gov/ofm](http://www.michigan.gov/ofm) (under *OFM Spending and Revenue Reports, Annual Comprehensive Financial Report*), and have been filed with the MSRB’s EMMA system at <http://www.emma.msrb.org> in accordance with disclosure agreement requirements in effect.

### MUNICIPAL ADVISOR

Robert W. Baird & Co. Incorporated (“Baird”) serves as Municipal Advisor to the City of Flint, Michigan. Baird is precluded from participating in any group syndicate which may purchase the Bonds. Pursuant to its agreement with the City of Flint, Michigan, Baird’s fees and expenses and certain routine expenses of the City of Flint, Michigan associated with the marketing and sale of the Bonds will be paid from the proceeds of the Bonds as one of the costs of issuance. Baird is registered with the SEC and MSRB as a municipal advisor..

### UNDERWRITING

Huntington Securities, Inc., d/b/a Huntington Capital Markets (the “Underwriter”), has agreed, subject to the terms of the Bond Purchase Contract, to purchase the Bonds from the Issuer. The Bond Purchase Contract provides, in part, that the Underwriter, subject to certain conditions, will purchase from the Issuer the aggregate principal amount of Bonds for a purchase price as set forth therein. The Underwriter has further agreed to offer the Bonds to the public at the approximate initial offering prices as set forth on the cover hereto. The Underwriter may offer and sell the Bonds to certain dealers and others at prices lower than the offering prices stated on the cover hereto. The offering prices may be changed from time to time by the Underwriter. The aggregate underwriting fee equals 1.178562 percent of the aggregate principal amount of the Bonds.

The Bond Purchase Contract provides that the obligations of the Underwriter are subject to certain conditions, including, among other things, that (i) no event has occurred which impairs or threatens to impair the status of the Bonds or interest thereon as exempt from taxation in the State (except inheritance and estate taxes and taxes on gains realized from the sale, payment or other disposition thereof) and the interest on the Bonds is excluded from gross income for federal income tax purposes and (ii) proceedings relating to the Bonds are not pending or threatened by the Securities and Exchange Commission. The Bond Purchase Contract further provides that the



Issuer will provide to the Underwriter within seven (7) business days of the date of the Bond Purchase Contract sufficient copies of the Official Statement to enable the Underwriter to comply with the requirements of Rule 15c2-12(b)(4) under the Securities Exchange Act of 1934, as amended.

### OTHER MATTERS

The summaries and explanations herein of provisions of the Indenture, the Lease, the Mortgage and other materials are brief summaries of certain provisions thereof. Such summaries do not purport to be complete and reference is made to such instruments, documents and other materials for full and complete statements of the provisions thereof.

The information contained in this Official Statement has been compiled or prepared from sources deemed to be reliable and, while not guaranteed as to completeness or accuracy, is believed to be correct as of this date. Any statements involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact.

The attached Appendices are an integral part of this Official Statement and must be read in their entirety together with all of the foregoing information.

The execution and delivery of this Official Statement have been duly authorized by the Issuer.

THE ECONOMIC DEVELOPMENT CORPORATION OF  
THE CITY OF FLINT

By: /s/ Sheldon A. Neeley  
President

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## APPENDIX I

### CERTAIN FINANCIAL INFORMATION AND OPERATING DATA CONCERNING THE STATE OF MICHIGAN

The purpose of this Appendix is to provide certain financial information and operating data relating to the bonds described in this Official Statement.

Complete financial statements of all of the State's funds as included in the State of Michigan Annual Comprehensive Financial Report prepared by the State's Department of Technology, Management and Budget are available at [www.michigan.gov/ofm](http://www.michigan.gov/ofm) (under Annual Comprehensive Financial Reports). Information required for fiscal years ended September 30, 2017, through 2021 has been filed with the Municipal Securities Rulemaking Board's Electronic Municipal Market Access ("EMMA") system at [www.emma.msrb.org](http://www.emma.msrb.org) in accordance with continuing disclosure agreement requirements in effect.

The information in this Appendix has been furnished by the State.

**IN ADDITION TO FINANCIAL INFORMATION AND OPERATING DATA, THIS APPENDIX INCLUDES NARRATIVE AND CONTEXTUAL INFORMATION. THE STATE, IN ITS ANNUAL FINANCIAL REPORT, WILL INCLUDE FINANCIAL INFORMATION AND OPERATING DATA OF THE TYPE CONTAINED IN THIS APPENDIX, BUT DOES NOT ANTICIPATE INCLUDING ALL OF THE NARRATIVE AND CONTEXTUAL INFORMATION CONTAINED IN THIS APPENDIX IN SUCH ANNUAL FINANCIAL REPORT.**

The ability of the State to meet its obligations will be affected by future social, environmental and economic conditions, among other things, as well as by legislative policies and the financial condition of the State. Many of these conditions are not within the control of the State.

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## STATE GOVERNMENT

### Michigan History

Michigan was first settled by various Native American tribes before being colonized by French explorers in the 17th century. In 1805 the Michigan Territory was formed, which lasted until Michigan was admitted to the Union as the twenty-sixth state in 1837. The State of Michigan's capital is Lansing, and its largest city is Detroit. The State is governed under the Constitution of 1963, as amended ("State Constitution"). The legislative power is vested in a senate and a house of representatives; executive power is vested in a governor; and the judicial power is vested exclusively in one court of justice.

For financial reporting purposes, the State's reporting entity includes the "primary government" and its "component units". The primary government includes all funds, departments and agencies, bureaus, boards, commissions and those authorities that are considered an integral part of the primary government. Component units are legally separate governmental organizations for which the State's elected officials are financially accountable or other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

### Legislative Branch

Legislative power is vested in the State House of Representatives, consisting of 110 members elected for two year terms, and the State Senate, consisting of 38 members elected for four year terms concurrent with the term of the Governor. The Legislature meets annually in January for a session of indeterminate length.

### Executive Branch

The executive power of the State is vested in the Governor who is elected, along with the Lieutenant Governor, Secretary of State and Attorney General, for a term of four years. It is the responsibility of the Governor to see that the State's laws are faithfully executed and to supervise the principal executive departments created under the provisions of the State Constitution. The Governor has the right to veto legislation passed by the Legislature, including budget line items. The Legislature may override the Governor's veto by a vote of two thirds of the members of each house.

The State Treasurer is the custodian and disbursing officer of the State's cash and investments and may only disburse funds within appropriation limits. By law, funds are disbursed only after the Director of the State Department of Technology, Management and Budget has certified that disbursements are proper and within appropriation limits.

The control of expenditures, monitoring of revenues and the budgeting function are primary responsibilities of the State Department of Technology, Management and Budget. Its accounting division, the Office of Financial Management, maintains the State's central system of accounts. Records are kept for over 90 funds and serve as a check on the State Treasurer and, through subsidiary accounts, on State agencies. Management reports are available to all departments on a monthly basis.

The State Administrative Board, in addition to other duties, is authorized to provide for the issuance of bonds and notes of the State and for their payment. The Board is composed of the Governor, the Lieutenant Governor, the Secretary of State, the Attorney General, the Superintendent of Public Instruction, the State Treasurer and the Director of the Department of Transportation.

## Judicial Branch

The judicial branch of the State consists of the Supreme Court, the Court of Appeals, the Circuit Courts, the Probate Courts and other courts of more limited jurisdiction. Judges of all courts are elected. The seven State Supreme Court Justices are elected for eight-year terms under the State Constitution and are not term limited.

## EMPLOYEE RELATIONS

The executive branch of State government consisted of approximately 46,672 employees as of January 2022. Approximately 46,504 of these employees are in the state classified civil service with the others being per diem employees, statewide elected officials, departmental administrators or non-elected members of boards and commissions appointed by the Governor as provided by law. In addition, the legislative branch consists of approximately 1,077 elected officials and appointed staff, and 154 classified civil service employees. The judicial branch consists of approximately 1,305 judges and court employees.

Wages, hours and working conditions for approximately 67.2% of the classified civil service employees, who have elected an exclusive bargaining agent, are determined under a collective bargaining system established by the State Civil Service Commission. This is separate and distinct from the labor relations framework that applies to all other public employees in the State.

As reflected in the following table, compensation levels have been approved by the State Civil Service Commission through September 30, 2024, for nine of the ten represented bargaining units. These nine groups are scheduled to receive in Fiscal Year 2023 a 5% base wage increase effective October 1, 2022. The State Police Enlisted unit is scheduled to receive a 5% base wage increase effective October 1, 2022, as detailed in its contract that has received interim approval. The scheduled compensation package in Fiscal Year 2023 for the non-bargaining employees will also include a 5% base wage increase effective October 1, 2022.

**TABLE 1**

### BARGAINING UNITS

<u>Bargaining Unit</u>	<u>Exclusive Representative</u>	<u>Number of Employees</u>	<u>Compensation Provisions Expire</u>
Human Services	United Auto Workers (UAW)	10,283	9/30/24
Security	MCO, SEIU, Local 526M	5,198	9/30/24
Administrative Support	United Auto Workers (UAW)	5,358	9/30/24
Labor and Trades	Michigan State Employees Association (AFSCME Local 5)	1,871	9/30/24
Scientific and Engineering	SEIU, Local 517M	2,352	9/30/24
Institutional	AFSCME Council 25	1,568	9/30/24
State Police Enlisted	Michigan State Police Troopers Association (Independent)	1,678	9/30/24
Safety and Regulatory	Michigan State Employees Association (AFSCME Local 5)	1,220	9/30/24
Human Services Support	SEIU, Local 517M	951	9/30/24
Technical	SEIU, Local 517M	853	9/30/24
Non Bargaining	N/A	15,326	9/30/23

SOURCE: State of Michigan, Office of the State Employer. Information as of January 22, 2022. The data in Table 1 includes Executive and Legislative classified employees.

## STATE ECONOMIC CHARACTERISTICS

The following tables present selected State macroeconomic statistics. The average unemployment rate for calendar year 2021 was 5.9 percent, down substantially from 10.0 percent in 2020.

**TABLE 2**

### STATE LABOR FORCE AND EMPLOYMENT (Amounts in Thousands)

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Civilian Labor Force	4,911.2	4,940.3	4,969.3	4,846.0	4,776.1
Employment	4,685.9	4,734.2	4,766.1	4,361.9	4,495.7
Unemployment	225.4	206.2	203.2	484.1	280.5
Unemployment Rate (%)	4.6	4.2	4.1	10.0	5.9
Wage and Salary Employment	4,377.2	4,426.1	4,442.8	4,039.3	4,193.5
Total Private	3,773.4	3,817.6	3,828.4	3,458.3	3,620.0
Goods Producing	785.4	805.0	807.2	727.9	766.8
Private Service Providing	2,988.0	3,012.6	3,021.3	2,730.4	2,853.2
Government	603.7	608.5	614.3	581.0	573.5
Goods Producing	785.4	805.0	807.2	727.9	766.8
Mining and Logging	7.1	7.3	7.3	6.5	6.8
Construction	162.2	169.1	173.6	164.6	176.3
Manufacturing	616.1	628.6	626.3	556.8	583.7
Durable Goods	465.7	476.2	473.2	415.4	437.5
Non-Durable Goods	150.4	152.4	153.1	141.4	146.2
Service Providing (Includes Government)	3,591.7	3,621.1	3,635.6	3,311.4	3,426.7
Trade, Transportation, and Utilities	786.4	791.0	794.9	745.4	777.3
Wholesale Trade	171.6	172.8	173.2	162.5	164.4
Retail Trade	473.3	470.0	464.3	428.9	448.5
Transportation and Utilities	141.5	148.1	157.4	154.0	164.4
Information	56.5	56.0	55.4	50.5	51.7
Financial Activities	219.1	220.8	225.1	224.1	232.7
Finance and Insurance	165.0	165.9	169.0	172.8	179.1
Real Estate and Rental and Leasing	54.2	54.9	56.1	51.3	53.6
Professional and Business Services	649.9	659.4	654.6	601.0	630.4
Professional, Scientific, and Technical Services	294.1	298.5	299.4	289.3	301.6
Management of Companies and Enterprises	66.6	68.8	70.5	69.7	70.8
Administrative and Support and Waste Management	289.2	292.1	284.7	241.9	258.0
Educational and Health Services	678.3	685.9	689.1	641.0	650.3
Educational Services	72.6	74.5	73.7	66.3	69.5
Health Care and Social Assistance	605.7	611.3	615.4	574.7	580.7
Leisure and Hospitality	432.2	433.6	435.5	324.3	357.6
Accommodation and Food Services	379.1	380.2	381.9	288.5	315.0
Other	53.1	53.4	53.6	35.8	42.6
Other Services	165.7	166.0	166.6	144.1	153.3
Government	603.7	608.5	614.3	581.0	573.5

NOTE: Components may not total due to truncation.

“Other” category totals equal the difference between category total and North American Industry Classification System (NAICS) estimated subcategory totals. Private service providing totals equal overall wage and salary employment minus goods producing employment and government employment.

SOURCE: Michigan Department of Technology, Management & Budget (“DTMB”) (Wage and salary benchmark released in March 2022) and U.S. Department of Labor, Bureau of Labor Statistics.

**TABLE 3**

**STATE UNEMPLOYMENT RATES**

<u>Calendar Year</u>	<u>Annual Average</u>
2011	10.0
2012	9.0
2013	8.7
2014	7.2
2015	5.4
2016	5.0
2017	4.6
2018	4.2
2019	4.1
2020	10.0
2021	5.9

SOURCE: Michigan Department of Technology, Management & Budget (“DTMB”) and U.S. Department of Labor, Bureau of Labor Statistics

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**TABLE 4****STATE MANUFACTURING EMPLOYMENT  
(Amounts in Thousands)**

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Manufacturing	616.1	628.6	626.3	556.8	583.7
Durable Goods	465.7	476.2	473.2	415.4	437.5
Non-Durable Goods	150.4	152.4	153.1	141.4	146.2
Durable Goods	465.7	476.2	473.2	415.4	437.5
Nonmetallic Mineral Product	10.6	10.7	10.8	9.9	10.4
Primary Metal	22.3	22.8	22.5	18.3	18.1
Fabricated Metal Product	79.9	81.1	79.7	68.1	70.1
Machinery	73.7	75.0	73.8	66.8	68.3
Computer and Electronic Product	20.2	20.7	21.1	19.3	20.3
Transportation Equipment	189.0	192.7	190.0	163.0	179.4
Motor Vehicle	40.1	39.2	38.2	34.4	41.5
Motor Vehicle Parts	132.3	135.9	133.9	112.9	121.4
Other	16.6	17.6	17.9	15.7	16.5
Furniture and Related Product	22.7	23.0	23.5	21.2	19.9
Other	47.3	50.2	51.8	48.8	51.0
Non-Durable Goods	150.4	152.4	153.1	141.4	146.2
Food	37.9	38.7	38.4	37.2	38.6
Printing and Related Support Activities	14.3	14.1	13.6	11.6	11.8
Chemical	30.1	30.5	31.1	30.0	30.3
Plastics and Rubber Products	41.2	42.1	42.0	36.8	38.6
Other	26.9	27.0	28.0	25.8	26.9

NOTE: Components may not total due to truncation.

“Other” categories equal the difference between category total and NAICS estimated subcategories.

SOURCE: Michigan Department of Technology, Management & Budget (“DTMB”) (wage and salary benchmark released in March 2022) and U.S. Department of Labor, Bureau of Labor Statistics. Wage and salary employment based on NAICS.

Total manufacturing employment was 583,700 in 2021. Employment in the durable goods manufacturing sector was 437,500 and non-durable goods employment was 146,200 in the State in 2021.

The combined motor vehicle and motor vehicle parts employment totaled 162,900 in the State in 2021.

**TABLE 5**

**PER CAPITA INCOME**

<b><u>Calendar Year</u></b>	<b><u>Michigan</u></b>	<b><u>U.S.</u></b>
2011	\$37,781	\$42,747
2012	39,266	44,548
2013	39,566	44,798
2014	41,207	46,887
2015	43,425	48,725
2016	44,527	49,613
2017	45,648	51,573
2018	47,314	53,817
2019	48,820	55,724
2020	52,724	59,147
2021	55,551	63,444

SOURCE: U.S. Department of Commerce, Bureau of Economic Analysis  
Table SAINC1 of March 23, 2022 release

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**TABLE 6**

**STATE PERSONAL INCOME BY MAJOR SOURCES  
(Amounts in Millions)**

Note: Components may not sum to total due to rounding.

	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
Wage & Salary Disbursements by Place of Work	\$232,050	\$240,649	\$246,973	\$242,644	\$264,563
Farm	749	796	813	626	661
Goods Producing	51,690	54,049	55,060	51,595	56,960
Natural Resources and Mining	698	747	765	722	832
Construction	10,240	10,792	11,312	11,405	13,312
Manufacturing	40,753	42,510	42,984	39,469	42,816
Durable Goods	31,807	33,165	33,499	30,180	32,618
Nondurable Goods	8,946	9,345	9,486	9,289	10,198
Service Providing	179,611	185,804	191,099	190,423	206,942
Trade, Transportation and Utilities	36,352	37,730	38,876	39,275	43,213
Wholesale Trade	12,821	13,140	13,321	13,085	14,138
Retail Trade	14,362	14,739	15,019	15,293	17,250
Transportation and Utilities	9,169	9,851	10,536	10,897	11,825
Information	4,016	4,148	4,299	4,498	4,913
Financial Activities	14,805	15,363	16,351	18,010	19,263
Finance and Insurance	12,293	12,662	13,502	15,077	15,997
Real Estate and Rental and Leasing	2,512	2,701	2,849	2,933	3,266
Professional and Business Services	44,791	46,063	46,821	46,270	51,383
Professional and Technical Services	25,545	26,442	27,004	26,976	29,678
Management of Companies and Enterprises	8,842	8,781	8,934	9,025	9,539
Administrative and Waste Services	10,404	10,840	10,883	10,268	12,166
Education and Health Services	32,176	33,281	34,080	34,245	36,787
Educational Services	2,594	2,631	2,617	2,560	2,742
Health Care and Social Assistance	29,582	30,650	31,463	31,685	34,045
Leisure and Hospitality	9,815	10,226	10,516	7,828	9,376
Accommodation and Food Services	7,846	8,249	8,496	6,255	7,450
Other	1,968	1,978	2,020	1,573	1,926
Other Services	6,790	7,166	7,393	7,270	7,923
Government	30,867	31,827	32,765	33,026	34,084
Supplements to Wages and Salaries	53,944	56,773	57,862	56,191	59,640
Proprietor's Income	30,809	30,925	32,010	34,496	37,420
Farm	157	105	19	1,530	1,865
Nonfarm	30,652	30,820	31,991	32,966	35,555
Total Income/Place of Work	316,804	328,347	336,844	333,331	361,623
Less: Contributions for Government Social Insurance	37,102	39,003	40,117	39,990	43,475
Plus: Adjustment for Residence	2,319	2,530	2,519	2,471	2,629
Net Labor and Proprietors' Income by Place of Residence	282,021	291,875	299,246	295,812	320,777
Plus: Dividends, Interest and Rent	82,973	86,401	89,034	88,455	89,031
Plus: Personal Current Transfer Receipts	93,763	98,201	103,742	146,541	148,521
Total Personal Income by Place of Residence	458,757	476,477	492,022	530,809	558,330

SOURCE: U.S. Department of Commerce, Bureau of Economic Analysis, Tables SAINC5 and SAINC7 (March 23, 2022 Release)  
Uses NAICS industry categories

**TABLE 7**

**STATE AND UNITED STATES ECONOMIC STATISTICS**

		<u>1985</u>	<u>1990</u>	<u>1995</u>	<u>2000</u>	<u>2005</u>	<u>2010</u>	<u>2015</u>	<u>2020</u>	<u>2021</u>
Personal Income (in \$ billions)	State	\$133.6	\$177.4	\$230.3	\$302.0	\$331.1	\$353.3	\$433.7	\$530.8	\$558.3
	U.S.	3,510.5	4,897.8	6,286.1	8,654.6	10,599.6	12,586.5	15,681.2	19,607.4	21,056.6
Consumer Price Index all items (1982-84=100).....	State <sup>(1)</sup>	106.8	128.6	148.6	169.8	190.8	205.1	218.7	237.7	247.8
	U.S.	107.6	130.7	152.4	172.2	195.3	218.1	237.0	258.8	271.0
Average Hourly Earnings Manufacturing (\$) .....	State	12.64	13.86	16.31	19.26	21.46	21.77	20.81	22.51	23.41
	U.S.	9.40	10.77	12.34	14.32	16.56	18.61	19.91	22.80	23.80
Civilian Labor Force 16 years and over (000's) .....	State	4,360	4,614	4,831	5,157	5,070	4,755	4,760	4,846	4,776
	U.S.	115,461	125,840	132,304	142,583	149,320	153,889	157,130	160,742	161,204
Unemployment Rate (%).....	State	10.0	7.7	5.3	3.6	6.8	12.2	5.4	10.0	5.9
	U.S.	7.2	5.6	5.6	4.0	5.1	9.6	5.3	8.1	5.3
Population (000's) <sup>(2)</sup> .....	State	9,076	9,295	9,676	9,939	10,051	9,884	9,934	10,077	10,051
	U.S.	237,924	248,718	266,278	281,425	295,517	308,746	320,739	331,449	331,894

(1) The State Consumer Price Index is the index for the Detroit CMSA.

(2) Population for Decennial Census years is April 1 count; for other years population is July 1 estimate.

SOURCE: U.S. Department of Labor, Bureau of Labor Statistics and U.S. Department of Commerce, Bureau of Economic Analysis and Bureau of Census and Michigan Department of Technology, Management & Budget (“DTMB”)

## STATE FINANCIAL PROCEDURES

### **The Budget Process**

The budget of the State is a complete financial plan and encompasses the revenues and expenditures, both operating and capital outlay, of the General Fund and special revenue funds. The budget is prepared in accordance with Generally Accepted Accounting Principles (“GAAP”). The State Constitution provides that proposed expenditures from and revenues of any fund must be in balance and that any prior year’s surplus or deficit in any fund must be included in the succeeding year’s budget for that fund. Under State law, the executive budget recommendations for any fund may not exceed the estimated revenue thereof, and an itemized statement of estimated revenues in each operating fund must be contained in an appropriation bill as passed by the Legislature, the total of which may not be less than the total of all appropriations made from the fund for that fiscal year.

The State Constitution provides that an appropriation is not a mandate to spend. The Governor, with the approval of the appropriating committees of the House and Senate, is required to reduce expenditures authorized by appropriations whenever it appears that actual revenues for a fiscal period will fall below the revenue estimates on which appropriations for that period were based. By statute any recommendation for the reduction of expenditures must be approved or disapproved by a majority of the members of the appropriating committees of the House and Senate within ten days after the recommendation is made. No reduction can be made without approval from both committees and in the event of disapproval, the Governor may within 30 days submit a new recommendation for expenditure reductions to the committees for their approval or disapproval.

The preparation of each new fiscal year budget begins approximately 13 months prior to the beginning of the fiscal year. Department program reviews and evaluations are followed by a series of budget office analyses, reviews and hearings. The Governor’s executive budget is completed and introduced, with proposed appropriation bills necessary for its implementation, to each house prior to the new fiscal year, and within 30 days after the Legislature convenes in regular session.

These bills are referred to the appropriation committees for analysis and committee hearings. When an appropriation bill is passed by both houses of the Legislature, the bill is enrolled and sent to the Governor, who may sign it into law or veto it, either in part or in its entirety. Funds may be disbursed only after appropriations have been allotted by the Department of Technology, Management and Budget.

Each department may request allotment revisions, legislative or administrative transfers, or supplemental appropriations. The State Budget Office implements revised allotments and administrative transfers as appropriate. The Legislature and Governor act on supplemental appropriation bills in a manner similar to original appropriations.

### **Financial Control Procedures**

After passage of appropriation bills, the State Budget Director reviews quarterly allotments of the appropriated amounts. Before the State Treasurer can release any warrant for payment of a State obligation, the State Budget Director, as the delegate of the Director of the Department of Technology, Management and Budget, is required by law to certify that the proposed expenditure is for a lawful purpose and that sufficient unexpended allotment and appropriation balances remain from which to pay the proposed expenditure.

General Fund – General Purpose revenues are monitored by the Departments of Treasury and the State Budget Office, which produce monthly reports comparing monthly revenues and year to date revenues with the prior year’s actual results, with the current year’s original budget estimates and with the Departments’ revised estimates for the current fiscal year. School Aid Fund revenues are similarly monitored.

Expenditures are also monitored on a monthly basis; however, General Fund – General Purpose and General Fund – Special Purpose expenditures cannot be tracked separately. Thus, monthly reports cover total General Fund expenditures on a monthly and year-to-date basis as compared with the same periods in the prior year, the total actual expenditures for the entire fiscal year and the current year appropriations. Also included in the report are enacted and estimated supplemental appropriations and executive orders reducing appropriations.

Each State department or agency head is responsible for maintaining expenditures within appropriated limits. For programs which are supported by Special Purpose revenues, including those which are federally funded, the department head must also maintain the program within available Special Purpose revenues as appropriated, i.e., should Special Purpose revenues not be earned as expected, related expenditures must be reduced by a like amount. In the event that Special Purpose expenditures are incurred within appropriation limits, but in excess of Special Purpose revenue earned, that excess is financed from General Purpose revenues.

## **Cash Management**

In addition to administration and collection of the State’s major individual and business taxes, the Department of Treasury, by law, is responsible for management of cash receipts, disbursements and investments. Major emphasis is placed on effective cash planning that makes provision for having adequate cash available to meet needs as they arise, because revenue collections and expenditures do not coincide with each other throughout the fiscal year.

Highest priority is given to expediting the processing of receipts for immediate deposit in the State’s concentration bank to maximize cash available for investment. A statewide network of deposit accounts in local banks, electronic fund and wire transfers to the concentration bank, peak workload staffing, taxpayer lock boxes, accelerated filing of sales, use and withholding tax payments for large taxpayers and a sophisticated computer oriented process provide timely receipt and deposit of State and federal funds to the Treasurer’s centralized account. All reviews and audits are performed after checks are deposited and while the deposited amounts continue to earn interest.

With authority to be its own banker and having an American Bankers Association number, the State Treasury maintains centralized control of all disbursements by direct issuance of warrants, electronic fund transfers, and wire transfers. Since warrants are not paid until presented to the State Treasury, it is possible to maximize investment return on available funds. An online computer inquiry system provides immediate status of issued warrants and enables daily reconciliation of cash and monitoring of outstanding warrants. With centralized control of disbursements, payments are not released until due dates; postage discounts are realized; payments are not made to parties indebted to the State; and disbursements can be delayed with short notice if necessary.

In addition, the State Treasurer has a common cash pool of funds that provides a daily available balance for cash management purposes. See “MAJOR FUNDS OF THE STATE – Common Cash Fund”.

## **Accounting Practices**

The State reports its financial results in accordance with GAAP. The State's accounting practices are conducted in accordance with principles and standards established by the Governmental Accounting Standards Board.

## **Audit Practices**

The State's auditor, the Auditor General, is appointed by a majority vote of the Legislature for an eight year term, as prescribed by the State Constitution. The Auditor General conducts post financial and performance audits of the Department of Treasury, the Office of Financial Management of the Department of Technology, Management and Budget and all other State departments and agencies. Each audit is conducted in accordance with professional accounting and audit standards and is generally broader in scope than those that occur in the private sector. When a performance audit is completed, a financial audit, in the sense of a detailed examination of financial transactions, in accordance with Government Auditing Standards, is not always performed. Where appropriate, the Auditor General may choose to supplement his reports with audits completed by agency internal auditors or independent public accountants. The Auditor General annually examines the General Purpose financial statements of the State in accordance with Generally Accepted Auditing Standards and his opinion letter discloses departures from GAAP.

## **STATE REVENUES AND EXPENDITURES**

### **Constitutional Provisions Affecting State Revenues and Expenditures**

The State Constitution was amended in 1978 to limit the amount of total State and local revenues raised from taxes and other sources. State revenues (excluding federal aid and revenues for payment of principal and interest on general obligation bonds) in any fiscal year are limited to a fixed percentage of State personal income in the prior calendar year or average of the prior three calendar years, whichever is greater. The percentage is fixed by the amendment to equal the ratio of the 1978-79 fiscal year revenues to total 1977 State personal income. If any fiscal year revenues exceed the revenue limitation by one percent or more, the entire amount of such excess shall be rebated in the following fiscal year's personal income tax or single business tax. Any excess of less than one percent may be transferred to the State's Budget Stabilization Fund.

The State may exceed the revenue limit for emergencies when deemed necessary by the Governor and two-thirds of the members of each house of the Legislature.

The State Constitution provides that the proportion of State spending paid to all units of local government to total State spending may not be reduced below the proportion in effect in the 1978-79 fiscal year. The State originally determined that proportion to be 41.6 percent. Effective with Fiscal Year 1992-93, a recalculation was made of the base year proportion as a consequence of a settlement agreement reached in 1991. The recalculated base year proportion is 48.97 percent. If such spending does not meet the required level in a given year, an additional appropriation for local governmental units is required by the "following fiscal year," which means the year following the determination of the shortfall, according to a 1984 opinion of the State's Attorney General. The State Constitution also requires the State to finance any new or expanded activity of local governments mandated by State law. Any expenditures required by this provision would be counted as State spending for local units of government for purposes of determining compliance with the provision cited above.

### **Recent General Fund-General Purpose Financial Results**

The actual and projected General Fund-General Purpose beginning balances, revenues and expenditures are set forth in Table 8. The State Constitution requires that any prior year's surplus or deficit in any fund be included in the succeeding year's budget for that fund.

**TABLE 8**

**GENERAL FUND GENERAL PURPOSE REVENUES  
(Dollar Amounts in Millions)**

	<u>FY 2018 Actual<sup>(4)</sup></u>	<u>FY 2019 Actual<sup>(4)</sup></u>	<u>FY 2020 Actual<sup>(4)</sup></u>	<u>FY 2021 Actual<sup>(4)</sup></u>	<u>FY 2022 Projected<sup>(4)</sup></u>	<u>FY 2023 Projected<sup>(4)</sup></u>
Beginning Balance	\$ 622.5	\$ 788.3	\$ 905.8	\$ 2,363.0	\$ 4,362.8	\$ 5,755.3
Revenue by Major Source						
Taxes:						
Personal Income (Less Refunds)	\$ 7,130.2	\$ 7,114.4	\$ 6,736.4	\$ 7,577.4	\$ 8,830.7	\$ 8,812.7
Single Business Tax, Michigan Business Tax and Corporate Income Tax	371.9	698.9	541.1	1,212.3	1,228.3	1,054.5
Cigarette Excise	181.4	175.7	180.1	177.0	165.5	163.3
Sales	796.0	795.0	903.9	978.3	1,107.4	1,073.8
Use <sup>(7)</sup>	801.1	757.4	747.5	1,258.3	1,212.4	1,101.6
Insurance Company Taxes	393.2	314.9	456.8	354.8	385.0	398.0
Other Taxes	<u>435.7</u>	<u>397.0</u>	<u>391.9</u>	<u>456.1</u>	<u>326.0</u>	<u>331.0</u>
Total Tax Revenue	<u>\$ 10,109.5</u>	<u>\$ 10,253.5</u>	<u>\$ 9,957.6</u>	<u>\$ 12,014.1</u>	<u>\$ 13,255.3</u>	<u>\$ 12,934.9</u>
Non-Tax Revenues						
Federal Aid	\$ 2.9	\$ 5.1	\$ 3.9	\$ 8.3	\$ 10.0	\$ 10.0
Other Non-Tax Revenues	<u>197.3</u>	<u>152.4</u>	<u>244.4</u>	<u>90.0</u>	<u>31.1</u>	<u>31.1</u>
Total Non-Tax Revenues	<u>\$ 200.3</u>	<u>\$ 157.5</u>	<u>\$ 248.3</u>	<u>\$ 98.3</u>	<u>\$ 41.1</u>	<u>\$ 41.1</u>
Total Revenues	<u>\$ 10,309.7</u>	<u>\$ 10,411.0</u>	<u>\$ 10,205.9</u>	<u>\$ 12,112.5</u>	<u>\$ 13,296.4</u>	<u>\$ 12,976.0</u>
Other Resources						
Other Financing Sources <sup>(5)</sup>	\$ 236.0	\$ 249.8	\$ 339.1	\$ 413.0	\$ 380.4	\$ 374.4
Other Resources <sup>(6)</sup>	250.9	330.8	143.6	213.2	--	--
One Time Revenue Adjustments	--	--	--	--	--	--
Total Other Resources	<u>\$ 487.0</u>	<u>\$ 580.7</u>	<u>\$ 482.7</u>	<u>\$ 626.2</u>	<u>\$ 380.4</u>	<u>\$ 374.4</u>
Total Available Resources <sup>(1)</sup>	<u>\$ 11,419.3</u>	<u>\$ 11,780.0</u>	<u>\$ 11,594.4</u>	<u>\$ 15,101.7</u>	<u>\$ 18,039.6</u>	<u>\$ 19,105.7</u>
Expenditure by Major Category:						
Education	\$ 1,438.9	\$ 1,217.3	\$ 1,400.4	\$ 1,416.0	\$ 1,557.0	\$ 1,751.8
Public Protection	2,409.9	2,475.0	1,987.8	2,202.7	1,777.1	2,760.3
Health and Human Services	4,279.3	4,435.1	4,000.3	4,277.4	4,754.3	6,170.1
Capital Outlay	247.3	248.2	239.4	222.3	231.6	340.6
General Government	1,378.7	1,801.5	1,280.8	1,469.7	3,685.2	4,182.9
Transfer to Budget Stabilization Fund	265.0	100.0	--	535.0	180.0	--
Transfer to Drinking Water Declarations of Emergency Reserve Fund	25.0	--	--	--	--	--
Transfer to Michigan Infrastructure Fund	35.0	--	--	--	--	--
Debt Service <sup>(2)</sup>	104.8	103.8	94.7	98.7	99.1	100.1
Carryforwards, Lapses, Year-End Adjustments	<u>447.0</u>	<u>482.9</u>	<u>227.9</u>	<u>517.2</u>	<u>--</u>	<u>--</u>
Total Expenditures <sup>(3)</sup>	<u>\$ 10,630.9</u>	<u>\$ 10,863.8</u>	<u>\$ 9,231.3</u>	<u>\$ 10,738.9</u>	<u>\$ 12,284.1</u>	<u>\$ 15,305.8</u>

Components may not add to total due to rounding

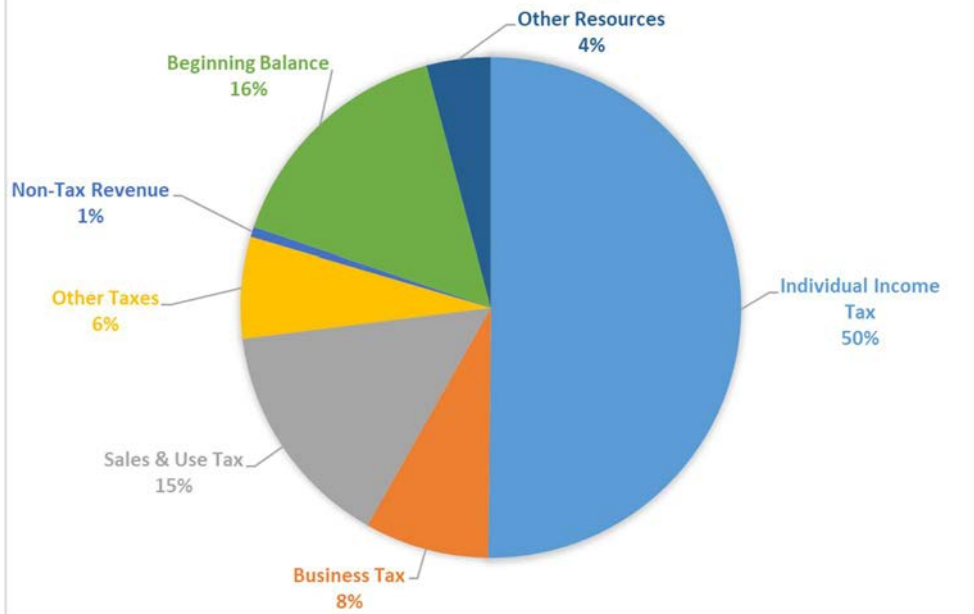


- (1) Includes prior year ending balances carried forward into the succeeding year. The State's carry forward process is described in the State's Annual Comprehensive Financial Report.
- (2) Actual debt service paid on general obligation bonds may exceed this amount as a result of other sources being used to pay debt service on general obligation bonds. See "TABLE 13 – DEBT SERVICE OF STATE GENERAL OBLIGATION BONDS AS PERCENTAGE OF GENERAL PURPOSE PORTION OF GENERAL FUND REVENUES."
- (3) The difference between Total Available Resources and Total Expenditures represents the unassigned General Fund/General Purpose balance, which consists of fund balance that has not been restricted, committed, or assigned to specific purposes within the General Fund.
- (4) Revenues and expenditures for Fiscal Years 2018 through 2021 are based on final revenues in the State of Michigan Annual Comprehensive Financial Report for those years. Projected revenues for Fiscal Year 2022 and FY 2023 are based on the May 2022 Consensus Revenue Conference and the Projected expenditures for FY 2022 equal total enacted appropriations through July 20, 2022. Fiscal Year 2022 and FY 2023 Personal Income Tax revenue totals include the Flow Through Entity Tax. Under the State's Constitution and State Law, the State is required to maintain a balanced budget. See "BUDGET FOR FISCAL YEAR 2021-2022" below and "STATE FINANCIAL PROCEDURES – The Budget Process."
- (5) "Other Financing Sources" primarily represents transfers from other funds, including the Liquor Purchase Revolving Fund and the State Lottery Fund.
- (6) "Other Resources" primarily represents budgetary carry forwards and prior year lapses. These resources were available to fund current year expenditures.
- (7) Two key legislative changes altered General Fund Use Tax collections. See "MAJOR FUNDS OF THE STATE – Use Tax" for a description of these changes.

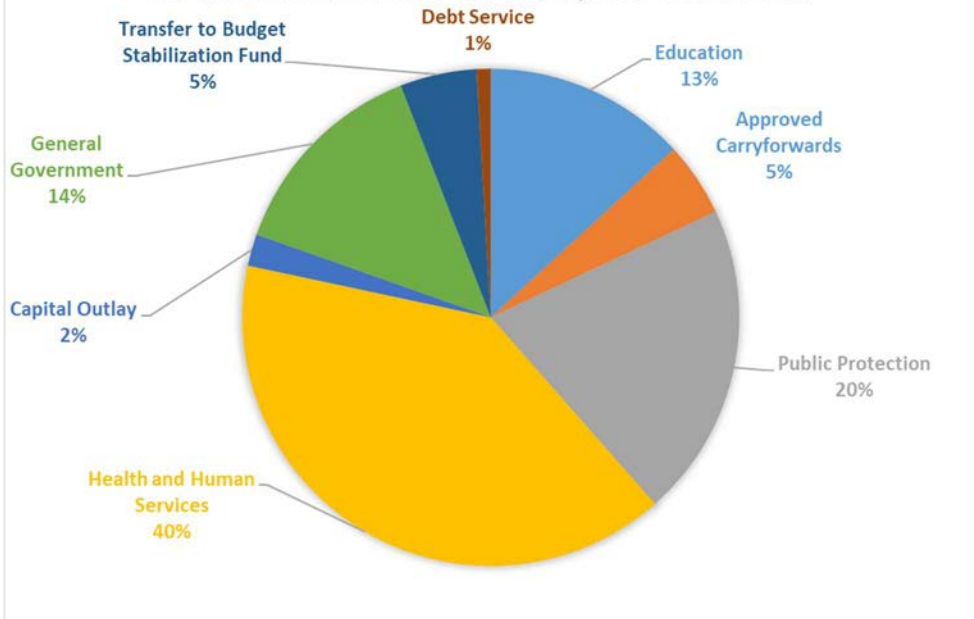
SOURCE: State of Michigan Annual Comprehensive Financial Report for various years. State Departments of Treasury and State Budget Office.

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**CHART A. GENERAL FUND GENERAL PURPOSE REVENUES**  
**FY 2021 ACTUAL TOTAL: \$15,101.7 MILLION**



**CHART B. GENERAL FUND GENERAL PURPOSE EXPENDITURES**  
**FY 2021 ACTUAL TOTAL: \$10,738.9 MILLION**



**TABLE 9**

**STATE EQUALIZED AND TAXABLE VALUATION BY CLASS AND USE  
REAL AND PERSONAL PROPERTY VALUATIONS COMBINED  
2017-2021  
(Dollars Amounts in Millions)**

	2017			2018			2019			2020			2021		
	SEV	Taxable	%*	SEV	Taxable	%*	SEV	Taxable	%*	SEV	Taxable	%*	SEV	Taxable	%*
Agriculture, Timber Cutover and Developmental	\$23,731	\$10,841	1.6%	\$24,210	\$11,109	2.5%	\$24,423	\$11,343	2.1%	\$24,836	\$11,567	2.0%	\$25,002	\$11,774	1.8%
Commercial	65,776	56,947	2.6	68,914	58,908	3.4	75,419	61,467	4.3	79,368	63,893	3.9	81,390	65,359	2.3
Industrial	24,471	22,512	-2.5	24,996	22,654	0.6	25,833	22,938	1.3	26,598	23,260	1.4	27,990	24,238	4.2
Residential	289,601	233,318	2.9	298,806	243,040	4.2	319,599	254,155	4.6	341,437	265,125	4.3	360,665	275,333	3.9
Utility	<u>11,960</u>	<u>11,863</u>	4.6	<u>12,644</u>	<u>12,551</u>	5.8	<u>13,641</u>	<u>13,593</u>	8.3	<u>14,629</u>	<u>14,583</u>	7.3	<u>15,561</u>	<u>15,510</u>	6.4
Total	\$415,540	\$335,481	2.5	\$429,570	\$348,262	3.8	\$458,915	\$363,495	4.4	\$486,868	\$378,428	4.1	\$510,608	\$392,213	3.6
Real Property	\$387,768	\$307,823	2.7	\$401,302	\$320,076	4.0	\$429,674	\$334,314	4.4	\$456,026	\$347,676	4.0	\$478,587	\$360,229	3.6
Personal Property	<u>27,772</u>	<u>27,658</u>	-0.5	<u>28,268</u>	<u>28,185</u>	1.9	<u>29,241</u>	<u>29,182</u>	3.5	<u>30,842</u>	<u>30,751</u>	5.4	<u>32,021</u>	<u>31,984</u>	4.0
Total	<u>\$415,540</u>	<u>\$335,481</u>	2.5	<u>\$429,570</u>	<u>\$348,262</u>	3.8	<u>\$458,915</u>	<u>\$363,495</u>	4.4	<u>\$486,868</u>	<u>\$378,428</u>	4.1	<u>\$510,608</u>	<u>\$392,213</u>	3.6

\* Percentage change in Taxable Value from the prior year.

NOTE: Components may not total due to truncation

SOURCE: State Department of Treasury; State Tax Commission

## MAJOR FUNDS OF THE STATE

State financed operations are accounted for in numerous separate funds. The major funds of the State are described below.

### General Fund

The General Fund receives those revenues of the State not specifically required to be included in other funds. General Fund revenues consist of approximately 43 percent from the payment of State taxes and 57 percent from federal and non-tax revenue sources. General Fund revenues are segregated into two categories for accounting purposes: General Purpose and Special Purpose. The General Purpose category is comprised of those revenues on which no restrictions on use apply. The Special Purpose category is comprised of revenues designated for specific purposes and includes a portion of certain major taxes and most federal aid. Because expenditures are accounted for on a consolidated basis, it is not possible to segregate expenditures as related to the General Purpose portion or Special Purpose portion of total General Fund expenditures. Expenditures are not permitted by the State Constitution to exceed available revenues.

#### *Sources of General Purpose Revenues*

General Purpose revenues consist primarily of that portion of taxes and federal aid not dedicated to any specific purpose. General Purpose revenues account for approximately 30 percent of total General Fund revenues. The following sections describe the tax rates and structures on which current revenues, as described in Table 8, are based.

**Sales Tax** - The State currently levies a 6 percent sales tax on retail sales with certain exceptions for items such as food and prescription drugs. A constitutional amendment is required to increase the sales tax rate. A ballot proposal approved by the electorate on March 15, 1994, increased the sales tax rate from 4 percent to 6 percent and constitutionally dedicated revenues from the 2-percentage point rate increase to the School Aid Fund. Of the remaining sales tax revenues generated by the 4-percentage point rate, 60 percent of collections is distributed to the School Aid Fund for operating aid to local school districts in the State. An additional 15 percent of the revenues generated by the 4-percentage point rate is constitutionally dedicated to local units of government for general operating purposes. A further percentage (not greater than 21.3 percent) is dedicated statutorily through the Glen Steil State Revenue Sharing Act of 1971. The statutory percentage is subject to legislative appropriation. The remaining sales tax revenue raised by the 4 percent is deposited into the General Fund, except for sales tax generated by automotive-related sales. For sales taxes levied on automotive-related purchases, 27.9 percent of revenues generated by 25.0 percent of the 4 percent point rate (approximately 4.6 percent of the 6-percentage point rate) is dedicated to the State's Comprehensive Transportation Fund. Beginning October 1, 2016, and the first day of each calendar quarter thereafter, an amount equal to the tax at the additional rate of 2 percent from the sale at retail of aviation fuel from the quarter that is two calendar quarters immediately preceding the current quarter is to be deposited in the state aeronautics fund (35 percent) and the qualified airport fund (65 percent). An amount equal to the collections at the 4% tax rate on the sale of retail computer software is to be deposited in the Michigan health initiative fund. The amount deposited is to be at least \$9 million but no more than \$12 million.

**Use Tax** - A 6 percent tax is currently levied by the State for the privilege of using, storing and consuming tangible personal property, services of intrastate and interstate telecommunications, transient hotel and motel rooms and rentals of tangible personal property. Two percent is dedicated to the School Aid Fund. The other 4 percent is deposited in the General Fund. Public Act 161 of 2014 reinstated a use tax on medical services provided by Medicaid managed care organizations. The HMO use tax is no longer collected after December 31, 2016. Public Act 80 of 2014 established an annual use tax earmark to the

Local Community Stabilization Authority beginning in Fiscal Year 2016. The Local Community Stabilization Authority uses this tax revenue to reimburse local units for their loss in personal property taxes resulting from the newly enacted personal property tax reforms. The use tax earmark to the Local Community Stabilization Authority totaled \$491.5 million in Fiscal Year 2021. The earmark will be \$521.3 million for Fiscal Year 2022 and \$548.0 million for Fiscal Year 2023. Beginning October 1, 2016, and the first day of each calendar quarter thereafter, an amount equal to the state share of the tax at the additional rate of 2 percent from the use, storage or consumption of aviation fuel from the quarter that is two calendar quarters immediately preceding the current quarter is to be deposited in the state aeronautics fund (35 percent) and the qualified airport fund (65 percent).

**Individual Income Tax** - The State levies a flat rate tax on the adjusted gross income of individuals, estates, and trusts at 4.25 percent. Effective October 1, 2019, the percentage of gross collections before refunds equal to 1.012 percent divided by the tax rate, 23.81 percent, is earmarked to the School Aid Fund. In addition, \$69.0 million is deposited into the Renew Michigan Fund, beginning with Fiscal Year 2019 and each year thereafter. Beginning in Fiscal Year 2019, \$264.0 million is deposited into the Michigan Transportation Fund, rising to \$468.0 million in Fiscal Year 2020, and \$600.0 million in Fiscal Year 2021 and each year following. The remaining collections are deposited into the General Fund. Under Public Act 135 of 2021, some Michigan business owners may elect to pay their individual income tax at the entity level, using a newly enacted Flow Through Entity Tax.

**Single Business Tax** - In 1976, the State replaced its then existing business tax structure, which included corporate income taxes, various franchise and special business fees and local property taxes on inventories, with the Single Business Tax (“SBT”). The SBT was a value added tax imposed on all business activities with annual adjusted gross receipts of \$350,000 or more.

**Michigan Business Tax** - Public Act 36 of 2007 enacted the Michigan Business Tax (“MBT”) to replace the SBT effective January 1, 2008. For most firms, the MBT consisted of a 4.95 percent tax on business income and a 0.8 percent tax on gross receipts reduced by certain purchases from other firms. Financial institutions paid a 0.235 percent tax on net capital. Insurance companies paid a 1.25 percent tax on Michigan premiums. The MBT was enacted along with Public Acts 37 – 40 of 2007, which exempted industrial personal property from the 18-mill local school operating tax and the 6-mill state education property tax, and exempted commercial personal property from 12 mills of the 18-mill local school operating tax. Additional personal property tax relief was provided through a 35 percent refundable MBT credit for industrial personal property taxes paid.

Public Act 145 of 2007 added an additional MBT surcharge equal to 21.99 percent of a taxpayer’s MBT liability before credits. The surcharge for financial institutions is 27.7 percent for 2008 and 23.4 percent thereafter. The surcharge was added to replace revenues lost due to the repeal of Public Act 93 of 2007, which had applied the Michigan use tax to a set of select services. The surcharge was imposed until January 2017.

The MBT apportioned business income and modified gross receipts using a 100 percent sales factor. The MBT contained several significant tax credits including a credit equal to 0.296 percent of Michigan compensation in 2008 and 0.370 percent of Michigan compensation thereafter, a 2.32 percent credit for Michigan investment in 2008 and a 2.90 percent credit for Michigan investment thereafter, a 1.52 percent credit for research and development expenses in 2008 and a 1.9 percent credit for research and development expenses thereafter, and a credit for firms that add at least 20 employees. The combination of the compensation and investment credits cannot exceed 50 percent of a firm’s MBT liability in 2008 and 52 percent thereafter, and the combination of these two credits and the research and development credit cannot exceed 65 percent of a firm’s liability. Most small firms are eligible for a credit that reduces their tax to 1.8 percent of owners’ earnings.

Public Act 38 of 2011 replaced the MBT, which is assessed on corporations and non-corporations, with a corporate income tax for most businesses. Public Act 39 of 2011 allows businesses that have been awarded certain certificated credits to continue to pay the MBT until their certificated credits are fully claimed.

**Corporate Income Tax** - Public Act 38 of 2011 enacted a corporate income tax. The Corporate Income Tax (“CIT”) has a tax rate of 6 percent and the tax base is Federal taxable income excluding the Federal accelerated depreciation and domestic production activities deduction and after certain additions and subtractions. Only corporations are subject to this tax as are LLCs if they elect federally to be taxed as a corporation. Taxpayers with allocated or apportioned gross receipts less than \$350,000 do not have to file a return. A small business alternative tax credit is available under the CIT.

**Other Taxes** - The State levies a 6-mill statewide property tax known as the state education tax (“SET”). The proceeds of the SET are deposited into the State’s School Aid Fund. Local units are required to levy the full tax in July. Other taxes levied by the State include a tax on real estate transfers, various motor fuel taxes, and a number of smaller taxes. Some of the smaller taxes are General Purpose revenues. Michigan levies a tax on beer and wine and has three (3) four percent liquor taxes. One four percent liquor tax is dedicated to the School Aid Fund, one is dedicated to the General Fund, and one is returned to Michigan’s counties. Michigan’s cigarette tax was raised from \$1.25 per pack to \$2.00 per pack effective July 1, 2004. The tax on other tobacco products was also raised to 32 percent of the wholesale price, effective July 1, 2004. For fiscal years after 2005, the portion of cigarette taxes earmarked for the General Fund is 19.8 percent while the portion earmarked to Medicaid is approximately 31.9 percent.

#### *Sources of Special Purpose Revenues*

Special Purpose revenues consist primarily of federal aid, taxes and other revenues dedicated to specific purposes. Special Purpose revenues accounted for 71 percent of total revenue in Fiscal Year 2016-17. In Fiscal Year 2017-18, Special Purpose revenues accounted for 70 percent of total revenue. In Fiscal Year 2018-19, Special Purpose revenues accounted for 71 percent of total revenue. In Fiscal Year 2019-20, Special Purpose revenues accounted for 74 percent of total revenue. In Fiscal Year 2020-21, Special Purpose revenues accounted for 73 percent of total revenue.

The federal aid share accounted for 74 percent of Special Purpose revenues in Fiscal Year 2016-17. In FY 2017-18 and FY 2018-19, the federal aid share decreased to 72 percent. In FY 2019-20, the federal aid share increased to 76 percent. In Fiscal Year 2020-21, the federal aid share increased to 78 percent. It is estimated that approximately three fourths of the State’s federal aid revenues require matching grants by the State. The percentage of State funds to total expense in programs requiring matched funds varies generally between 10 and 50 percent.

#### *Expenditures*

Over eighty percent of General Fund appropriations fund health care, protection of vulnerable children and adults, public safety, and education.

### **The School Aid Fund**

#### *Sources of Revenue*

Under constitutional and statutory provisions, the School Aid Fund receives the proceeds of certain taxes. Portions of the State’s sales, use, income, and tobacco taxes are earmarked to the School Aid Fund. The state education property tax, real estate transfer tax, and lottery proceeds are fully deposited into the

School Aid Fund and beginning in Fiscal Year 2010, all casino tax proceeds are earmarked to the School Aid Fund. None of the CIT is earmarked to the School Aid Fund.

Because the School Aid Fund receives almost all its direct revenues from the sources which also provide revenues for the General Fund and a General Fund appropriation is made to the School Aid Fund each year, the daily management of the State Treasurer's Common Cash Fund is predicated in part on daily projections of estimated cash flow of the combined General Fund and School Aid Fund. See "MAJOR FUNDS OF THE STATE – Common Cash Fund."

The operating costs of local school districts are funded by local property taxes and State school aid. Approximately 10 percent of the annual debt service of "qualified" bonds issued by local school districts is funded by borrowing from the State School Loan Revolving Fund, with the balance of the annual debt service of both "qualified" and "non-qualified" bonds funded from local property taxes.

#### *Expenditures*

The School Aid Fund finances State expenditures in the form of financial assistance to public elementary, secondary and intermediate school districts.

#### **Common Cash Fund**

The Common Cash Fund, which is managed by the State Treasurer, pools the combined cash balances of State moneys until paid out as provided by law, including the General Fund and the School Aid Fund, but not certain trust funds and funds covering the operations of State authorities, colleges and universities. State law authorizes the State Treasurer, with the approval of the State Administrative Board, to transfer cash on hand and on deposit among the various funds (other than certain bond related funds) to best manage the available cash on hand and to assure that State obligations are paid as they become due. As a result, certain funds may have a negative cash balance for periods of time. Funds with negative balances are required to pay interest on such balances at a rate equal to the average interest earned by the Common Cash Fund on its investments. Allocations of earnings are made quarterly, based upon the average daily balances of the various funds and the common cash investment earnings rate.

The following table sets forth the actual balances for funds in the Common Cash Fund as of September 30, 2017, through 2021. The cash balances in the funds in the Common Cash Fund can vary on a daily basis.

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TABLE 10

**COMMON CASH FUND BALANCES  
AS OF SEPTEMBER 30, 2017, THROUGH 2021  
(Dollar Amounts in Millions Reported on a Cash Basis)**

<b>September 30</b>	<b>Combined General Fund and School Aid Fund</b>	<b>Budget Stabilization Fund</b>	<b>Other Funds <sup>(1)</sup></b>	<b>Retirement Funds Invested Short- Term <sup>(2)</sup></b>	<b>Bond Funds <sup>(3)</sup></b>	<b>Total Common Cash</b>
2017	\$851.9	\$710.0	\$4,137.2	\$302.5	\$125.4	\$6,127.0
2018	483.6	1,006.0	4,275.7	247.1	111.8	6,124.2
2019	956.4	1,148.6	4,157.7	251.6	94.1	6,608.4
2020	4,288.5	829.1	5,128.0	385.0	1,049.7	11,680.4
2021	11,052.5	1,382.3	5,636.5	365.7	1,784.6	20,221.6

- (1) Other Funds include Internal Service, Enterprise, Trust and Agency, Restricted Revenue Funds and State Building Authority Advance Financing Funds.
- (2) Retirement Funds include the retirement funds supported by State appropriations. Such funds are generally invested short-term, pending eventual long-term investment decisions. The retirement funds supported by State appropriations purchase short-term investments outside the Common Cash Fund.
- (3) Includes Debt Service Funds and Bonds Funds. Bond Funds and Debt Service Funds may not be used to offset negative cash balances in other funds.

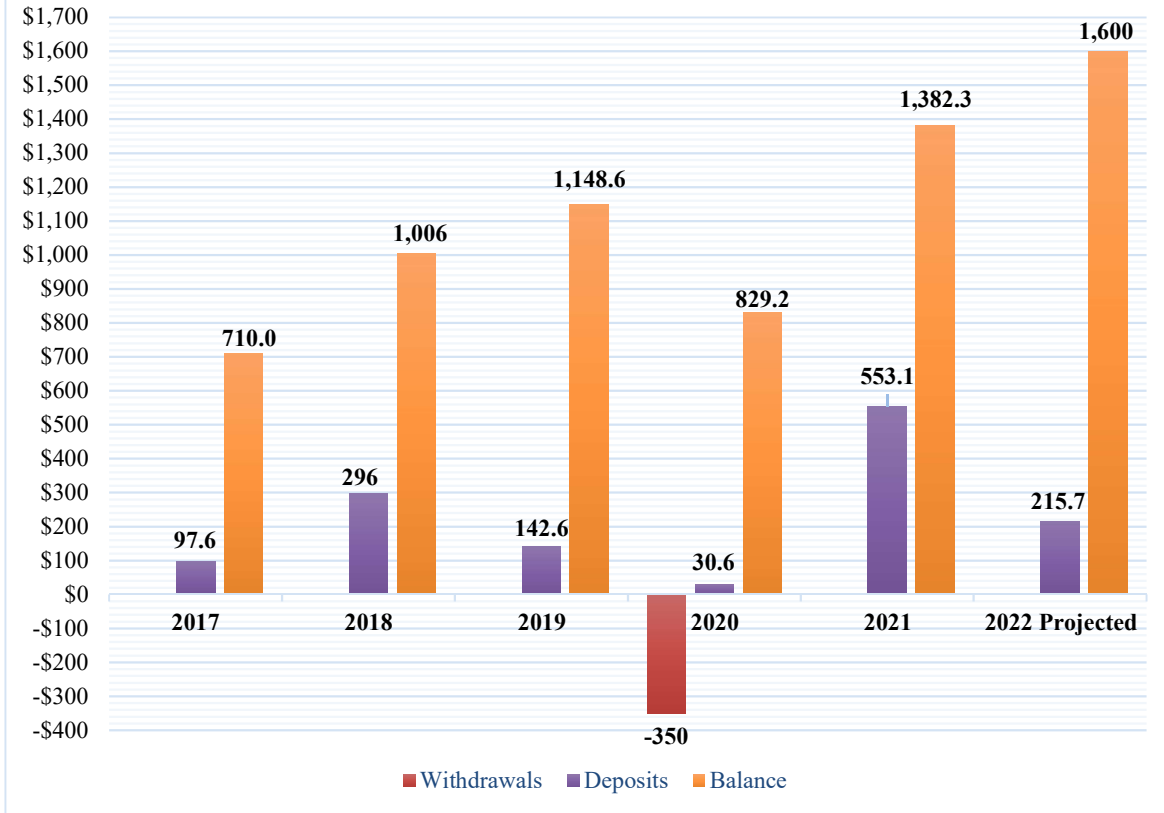
SOURCE: State Department of Treasury

**Budget Stabilization Fund**

In 1977, the State enacted legislation which created the Counter Cyclical Budget and Economic Stabilization Fund (“BSF”). This fund is designed to accumulate balances during years of significant economic growth which may be utilized in years when the State’s economy experiences cyclical downturns or unforeseen fiscal emergencies. During Fiscal Year 2011, the State implemented Governmental Accounting Standards Board (“GASB”) Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definition*. As a result, the BSF is classified and accounted for as a sub fund of the General Fund. In Fiscal Year 2014 \$194.8 million was withdrawn to fund the State’s contribution to the Detroit bankruptcy agreement. This withdrawal from the BSF in Fiscal Year 2014 is being repaid to the BSF beginning in Fiscal Year 2015 with annual payments of \$17.5 million from tobacco settlement revenues. A \$265 million deposit was appropriated in Fiscal Year 2018, and a \$100 million deposit was appropriated for Fiscal Year 2019. The fund balance at the end of Fiscal Year 2020 was \$829.2, reflecting a \$350 million withdrawal from the BSF as part of budget balancing actions to address the large shortfall projected with the May revenue forecast. A total of \$535 million was appropriated for deposit to the BSF in Fiscal Year 2021, and a deposit of \$180 million was appropriated in Fiscal Year 2022. The balance at September 30, 2022 is projected to total nearly \$1.6 billion.



**CHART C  
BUDGET STABILIZATION FUND BALANCES  
AS OF SEPTEMBER 30  
(Dollar Amounts in Millions)**



(1) Deposits include common cash earnings.

### School Bond Loan Fund

This fund accounts for the proceeds of State borrowings through the issuance of general obligation bonds and notes, used for making loans to school districts for the payment of principal and interest on qualified school bonds issued by local school districts under the provisions of the qualified bond program. See “STATE AND STATE RELATED INDEBTEDNESS – School Bond Qualification and Loan Program.” During Fiscal Year 2011, the State implemented GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definition*. The School Bond Loan Fund is classified and is accounted for as a restricted sub fund of the General Fund pursuant to GASB Statement No. 54.

## **Other Bond Proceeds Funds**

Separate funds created by legislation authorizing issuance of bonds for specific purposes, account for the proceeds of the State's various bond issues according to purpose. The Environmental Protection Bond Fund, the Clean Michigan Initiative Bond Fund—Environmental Projects, and the Great Lakes Water Quality Bond Fund are classified and accounted for as restricted sub funds of the General Fund.

## **Special Revenue Funds**

### *Michigan Transportation Fund*

The Michigan Transportation Fund was created by Act 51, Public Acts of 1951, as amended, to receive revenue from motor fuel taxes, vehicle registration taxes and motor carrier license fees, and related investment income. Pursuant to Article 9, Section 9 of the State Constitution, as amended in 1978, not less than 90 percent of the motor fuel taxes, and motor vehicle registration and license fees, are required to be used for highway related purposes.

### *Comprehensive Transportation Fund*

The Comprehensive Transportation Fund is a special revenue fund administered by the Michigan Department of Transportation for the planning and development of public transportation systems within the State. In addition to a portion of the motor vehicle fuel and registration taxes received from the Michigan Transportation Fund, the Comprehensive Transportation Fund also receives a transfer from General Fund of not more than 25 percent of the sales taxes collected on certain motor vehicle related sales. The first priority for use of funds in the Comprehensive Transportation Fund is the payment of debt service on bonds and notes issued by the State for public transportation services.

## **Debt Service Funds**

The State has established separate debt service funds for the various types of general obligation debt issued by the State. Included among these general obligation debt service funds are the Recreation and Environmental Protection Bond Redemption Fund and the School Loan Bond Redemption Fund, which receive moneys annually appropriated from the General Fund or other sources to meet bond maturity and interest and paying agent fees. In addition, separate Debt Service Funds have been established for the redemption of State transportation bonds issued by the Department of Transportation but payable from specific taxes.

## **Capital Projects Funds**

### *State Trunk Line Fund*

The State Trunk Line Fund is a capital projects fund administered by the Michigan Department of Transportation for the construction and maintenance of highways. Its budget is subject to annual legislative review and appropriation. The State Trunk Line Fund's revenues consist primarily of motor vehicle fuel and registration taxes deposited initially into the Michigan Transportation Fund, a portion of which are distributed to the State Trunk Line Fund. The first priority of usage of the State Trunk Line Fund is the payment of debt service on bonds and notes of the State issued for highway-related purposes, but only from money restricted as to use by Article 9, Section 9 of the State Constitution.

### *Combined Recreation Bond Fund*

The Combined Recreation Bond Fund is administered by the Michigan Department of Natural Resources for State park capital related expenditures and to provide grants and loans for financing State and local public recreation projects.

### **BUDGET FOR FISCAL YEARS 2022 AND 2023**

The Fiscal Year 2022 budget bills were signed by the Governor on September 29, 2021. Supplemental spending bills were signed on December 20, 2021, and on March 30, April 11, June 10, July 14, and July 20, 2022. The Fiscal Year 2023 budget bills were signed by the Governor on July 14 and July 20, 2022. The revenue estimates on which the initial Fiscal Year 2022 budget was based were estimated at the May 2021 conference. The revenue estimates on which the Fiscal Year 2023 budget was based were estimated at the May 2022 consensus conference. The revenue estimates adopted at the May 2021, January 2022, and May 2022 conference can be found at [www.michigan.gov/treasury](http://www.michigan.gov/treasury).

#### *Revenues – May 2022 Consensus*

Net General Fund - FY 2021-22 General Purpose revenue generated from enacted ongoing sources and estimated at the Consensus Revenue Estimating Conference is estimated to be \$14,179.7 million. After factoring in revenue items not included in the consensus revenue estimates, including certain transfers, other revenue adjustments, and the beginning balance, total available General Fund - General Purpose resources are forecast to be \$18,039.6 million. FY 2022-23 General Purpose revenue generated from enacted ongoing sources and estimated at the Consensus Revenue Estimating Conference is estimated to be \$13,973.5 million. After factoring in revenue items not included in the consensus revenue estimates, including certain transfers, other revenue adjustments, and the beginning balance, total available General Fund - General Purpose resources are forecast to be \$19,105.7 million, as shown in Table 8.

Personal Income Tax, including Flow Through Entity Tax - FY 2021-22 income tax collections will total an estimated \$13,483.0 million. The General Fund - General Purpose portion of net income tax collections will equal an estimated \$8,830.7 million. FY 2022-23 income tax collections will total an estimated \$13,220.2 million. The General Fund - General Purpose portion of net income tax collections will equal an estimated \$8,812.7 million.

Michigan Business Tax, Corporate Income Tax and Single Business Tax - The MBT will pay out more in refunds than will be collected in revenue in Fiscal Year 2021-22 and as a result, net collections are estimated at a negative \$594.3 million. The CIT is expected to generate \$1,822.6 million in Fiscal Year 2021-22. The SBT is expected to be zero. All of the loss in MBT revenue is paid from the General Fund and all of the revenue generated by the CIT will also go to the General Fund. The MBT will pay out more in refunds than will be collected in revenue in Fiscal Year 2022-23 and as a result, net collections are estimated at a negative \$527.6 million. The CIT is expected to generate \$1,582.1 million in Fiscal Year 2022-23. The SBT is expected to be zero. All of the loss in MBT revenue is paid from the General Fund and all of the revenue generated by the CIT will also go to the General Fund.

Sales Tax - Gross sales tax collections are forecast to total \$10,299.6 million in Fiscal Year 2021-22. The General Fund - General Purpose share of sales tax revenue will total an estimated \$1,107.4 million. Gross sales tax collections are forecast to total \$10,232.5 million in Fiscal Year 2022-23. The General Fund - General Purpose share of sales tax revenue will total an estimated \$1,073.8 million.

Use Tax - Gross use tax collections are forecast to total \$2,604.3 million in Fiscal Year 2021-22. The General Fund - General Purpose portion of use tax collections will total an estimated \$1,212.4 million,

which is net of the use tax earmarked to the Local Community Stabilization Authority of \$521.3 million. Gross use tax collections are forecast to total \$2,590.7 million in Fiscal Year 2022-23. The General Fund - General Purpose portion of use tax collections will total an estimated \$1,101.6 million, which is net of the use tax earmarked to the Local Community Stabilization Authority of \$548.0 million.

### **ECONOMIC OUTLOOK FOR 2022 AND 2023**

The U.S. economy as measured by real Gross Domestic Product (“GDP”) grew 5.7 percent in 2021 as the economy began to recover from the COVID pandemic. Real GDP is forecast to rise 2.5 percent in 2022 and increase 2.2 percent in 2023. The U.S. annual average unemployment rate fell from 8.1 percent in 2020 to 5.3 percent in 2021. The national unemployment rate is forecast to fall to 3.6 percent in 2022 and then rise to 3.8 percent in 2023. U.S. light vehicle sales rose from 14.5 million units in 2020 to 14.9 million units in 2021. Light vehicle sales are projected to rise to 15.2 million units in 2022 and to 16.4 million units in 2023.

The U.S. Consumer Price Index (“CPI”) rose 4.7 percent in 2021 and is expected to increase 7.4 percent in 2022 and then rise 3.7 percent in 2023. Ninety-day Treasury-Bill rates averaged 0.1 percent in 2021 and are expected to average 1.3 percent in 2022 and 2.9 percent in 2023.

Total Michigan wage and salary employment increased 3.8 percent in 2021. Michigan wage and salary employment is projected to rise 3.7 percent in 2022 and 1.5 percent in 2023. The State’s annual average unemployment rate fell from 10.0 percent in 2020 to 5.9 percent in 2021. The annual average rate is expected to fall to 4.4 percent in 2022 and then rise to 4.5 percent in 2023.

After rising 5.2 percent in 2021, Michigan personal income is projected to increase 2.2 percent in 2022 and then rise 5.3 percent for 2023.

Prices as measured by the Detroit CPI, rose 4.3 percent in 2021 and are projected to rise 7.4 percent in 2022 and 3.7 percent in 2023. As a result, real (inflation adjusted) personal income increased 0.9 percent in 2021 but is forecast to fall 4.8 percent in 2022 but rise 1.5 percent in 2023.

The above summary is based on the executive summary from the May 2022 Consensus Revenue Estimating Conference, which is available at [www.michigan.gov/treasury](http://www.michigan.gov/treasury).

### **LITIGATION AND RELATED MATTERS**

The State is a party to various legal proceedings seeking damages or injunctive or other relief. In addition to routine litigation, certain of these proceedings could, if unfavorably resolved from the point of view of the State, substantially affect State programs or finances. These lawsuits involve programs generally in the areas of corrections, tax collection, commerce and budgetary reductions to school districts and governmental units. Relief sought includes damages in tort cases generally, alleviation of prison overcrowding, improvement of prison medical and mental health care and refund claims under state taxes. The State is also a party to various legal proceedings which, if resolved in the State’s favor, would result in contingency gains to the State’s General Fund balance, but without material effect upon the State’s General Fund balance. The ultimate dispositions and consequences of all of these proceedings are not presently determinable, but such ultimate dispositions and consequences of any single proceeding or all legal proceedings collectively should not themselves, except as listed below, in the opinion of the Attorney General of the State, have a material adverse effect on the security for the Bonds described in this Official Statement; provided, however, that no opinion is expressed with respect to the ultimate disposition and consequences of any litigation in combination with any State revenue loss, the implementation of any tax reduction proposal or the failure of the State to realize any budget assumption.

## **Flint Pending Litigation**

Numerous cases and notices of intent to sue, in the Michigan Court of Claims, were filed against the State related to the drinking water in the City of Flint. Specifically, there are presently 100 pending cases (72 at the federal level and 28 at the state level) involving parties represented by the Michigan Department of Attorney General (the “Attorney General”). The State, certain State agencies, local governments and various individuals including the former Governor of the State of Michigan have been named as defendants in varying combinations within some of the cases. The cases present a wide variety of allegations including violations of equal protection, violations of 42 U.S.C. § 1983, gross negligence, breach of contract, unjust enrichment, breach of implied warranty, violations of the Individuals with Disabilities Act, violations of the Safe Drinking Water Act, and violations of the Plaintiffs’ contractual rights under Article I, § 10 of the US Constitution.

On August 20, 2020, the Attorney General announced a preliminary \$600 million settlement to settle the related civil cases against the State, its agencies, and its past and current employees, with the State paying the settlement amount by annual appropriations over 30 years to the Special Purpose FWC Settlement Entity (first appropriation was made in fiscal year 2022). An amended settlement agreement was entered on November 16, 2020 and submitted to the federal court as part of a motion seeking preliminary approval of the settlement and certification of various subclasses for settlement purposes. The federal court granted that motion on January 21, 2021 and entered an amended final judgment and order of dismissal with prejudice on March 3, 2022. The claims process necessary to determine how much money will be awarded to each claimant is currently underway. Two appeals have been filed relating to the order granting in part plaintiffs’ motion for an award of attorney fees under the settlement agreement. Two pro se plaintiffs have also filed appeals to the amended final judgment. The pendency of those appeals may delay final implementation of the settlement agreement but are unlikely to result in the settlement agreement being overturned. As a result of the final judgment, all but one of the civil cases filed against the State arising out of the Flint Water Crisis have been dismissed. The last remaining case involves a single plaintiff that allegedly died of Legionnaire’s Disease acquired during the Flint Water Crisis and who opted not to accept a monetary award under the settlement agreement. The possibility exists that additional lawsuits may be brought against the State by individuals that were minors or were incapacitated and did not accept monetary awards under the settlement agreement. At this time, the State has not been advised of any such additional lawsuits.

## **STATE AND STATE RELATED INDEBTEDNESS**

### **Certain Statutory and Constitutional Debt Provisions**

The State Constitution limits State general obligation debt to (i) short term debt for State operating purposes, (ii) short and long term debt for the purpose of making loans to school districts, and (iii) long term debt for voter approved purposes.

Short term debt for operating purposes is limited to an amount not to exceed 15 percent of undedicated revenues received during the preceding fiscal year. Under the State Constitution as implemented by statutory provisions, such debt must be authorized by the State Administrative Board and issued only to meet obligations incurred pursuant to appropriation and must be repaid during the fiscal year in which incurred. Such debt does not require voter approval.

The amount of debt incurred by the State for the purpose of making loans to school districts is recommended by the State Treasurer, who certifies the amounts necessary for loans to school districts. The bonds may be issued in whatever amount is required without voter approval. See “STATE AND STATE RELATED INDEBTEDNESS – School Bond Qualification and Loan Program.” All other general

obligation bonds issued by the State must be approved as to amount, purpose and method of repayment by a two thirds vote of each house of the Legislature and by a majority vote of the public at a general election. There is no limitation as to number or size of such general obligation issues.

There are also various State authorities and special purpose agencies created by the State which issue bonds secured by specific revenues. Such debt is not a general obligation of the State. The various types of debt are described in the following sections.

### **General Obligation Bonded Indebtedness**

#### *General Obligation Bonds and Notes*

The State has issued and has outstanding general obligation full faith and credit bonds and notes for environmental and natural resource protection, recreation and school loan purposes. Table 11 illustrates the existing debt service schedule for all State general obligation bonds as of September 30, 2021.

Table 11 does not reflect the changes in annual debt service payments for general obligation bonds which result from the issuance by the State of these general obligation bonds issued subsequent to September 30, 2021.

For Fiscal Years 2017, 2018, 2019, 2020, and 2021 no general obligation notes for cash flow purposes were issued. For Fiscal Year 2022 no general obligation notes for cash flow purposes have been issued to date.

**TABLE 11**

**STATE OF MICHIGAN  
EXISTING DEBT SERVICE SCHEDULE OF GENERAL OBLIGATION BONDS  
AS OF SEPTEMBER 30, 2021  
(Dollar Amounts in Thousands)**

<b>Year Ending Sept 30</b>	<b>Principal Due</b>	<b>Interest Due</b>	<b>Annual Debt Service<sup>(1)</sup></b>	<b>Cumulative Debt Service</b>	<b>Cumulative %</b>
2022	159,479	46,811	206,290		
2023	153,613	39,725	193,338		
2024	106,385	34,416	140,801		
2025	109,240	29,516	138,756	\$679,185	46.08%
2026	106,197	25,204	131,401		
2027	82,371	21,369	103,740		
2028	65,586	17,983	83,569		
2029	68,307	15,078	83,385		
2030	55,729	20,766	76,495	\$1,157,775	78.54%
2031	55,680	9,989	65,669		
2032	57,710	7,991	65,701		
2033	59,855	5,896	65,751		
2034	13,300	3,728	17,028		
2035	13,865	3,162	17,027	\$1,388,951	94.23%
2036	14,455	2,569	17,024		
2037	14,870	2,154	17,024		
2038	15,410	1,614	17,024		
2039	15,970	1,055	17,025		
2040	<u>16,425</u>	<u>596</u>	<u>17,021</u>	\$1,474,069	100.00%
Total	<u>\$1,184,446</u>	<u>\$289,622</u>	<u>\$1,474,068</u>		

<sup>(1)</sup> May not add to total due to rounding.

SOURCE: State Department of Treasury

The following table illustrates the State general obligation bonds issued and maturing during each of the fiscal years ended September 30, 2017, through 2021 and the principal outstanding at the end of each such period.

**TABLE 12**  
**STATE OF MICHIGAN**  
**GENERAL OBLIGATION BONDS ISSUED, MATURED AND**  
**OUTSTANDING**  
**AS OF SEPTEMBER 30, 2017 THROUGH 2021**  
**(Dollar Amounts in Millions)**

<u>Fiscal Year Ended September 30</u>	<u>Bonds Issued</u>	<u>Bonds Matured</u>	<u>Bonds Outstanding End of Period <sup>(2)</sup></u>
2017	119.6	187.3	1,550.2
2018	149.2	168.0	1,531.0
2019 <sup>(1)</sup>	-	144.1	1,358.4
2020	152.8	153.1	1,357.4
2021 <sup>(1)</sup>	-	159.7	1,196.6
<b>TOTAL</b>	<u>\$692.9</u>	<u>\$853.6</u>	

(1) The State did not issue any debt to fund the Environmental Programs during FY 2019 and 2021.

(2) Capital appreciation bonds are recorded at their accreted year-end book value

SOURCE: State Department of Treasury

**TABLE 13**  
**DEBT SERVICE OF STATE GENERAL OBLIGATION BONDS**  
**AS PERCENTAGE OF GENERAL PURPOSE PORTION OF**  
**GENERAL FUND REVENUES**  
**AS OF SEPTEMBER 30, 2017 THROUGH 2021**  
**(Dollar Amounts in Millions)**

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Debt Service of General Obligation Bonds	\$ 255.3	\$ 230.1	\$ 229.1	\$ 205.5	\$ 209.2
General Purpose Portion of General Fund Revenues	\$ 10,778.1	\$ 11,419.3	\$ 11,780.0	\$ 11,594.4	\$ 15,101.7
Debt Service as Percent of Total Available Resources	2.4%	2.0%	1.9%	1.8%	1.4%

SOURCE: State Department of Treasury



## **School Bond Qualification and Loan Program**

The constitutional and statutory provisions authorizing the State school bond qualification and loan program are designed to facilitate the making of capital improvements by school districts. The bonds of any school district may be “qualified” by the State Treasurer upon satisfying the specified requirements as to the need for the improvements, reasonableness of cost, bond amounts and maturity dates and other matters. Most school district bonds issued since the program began in 1955 have been “qualified” for participation in the school bond qualification and loan program.

The State Constitution provides that if the minimum amount which a school district would otherwise have to levy in any year to pay principal and interest on its “qualified” bonds exceeds 13 mills, or such lesser millage rate as may be provided by statute, the school district may elect to borrow an amount equal to the difference between debt service due on its “qualified” bonds and funds on hand available to pay such debt service. As currently implemented by statute, “computed millage” means the number of mills in any year, not less than 7 mills and not more than 13 mills, determined on the date of issuance of the order qualifying the bonds and re-calculated annually, that will generate sufficient annual property tax proceeds to pay principal and interest on all the school district’s qualified bonds plus principal and interest on all loans related to those qualified bonds no later than the date specified in the loan agreement entered into by the school district. All or part of this levy requirement may be waived under certain circumstances. In addition, with respect to qualified debt, a school district is required to borrow and the State is required to lend to it any amount necessary for the school district to avoid a default on its qualified bonds. A school district with a State loan must continue to levy each year not less than its computed millage for debt service until, from the excess thereof over debt service for its qualified bonds, it has repaid its State loans with interest.

The conditions for qualification of school district bonds and minimum levy for debt service provided by statute have been changed by the Legislature from time to time and may be changed in the future. As of December 31, 2021, outstanding principal of and interest on school district loans from the State totaled approximately \$466.4 million. See Tables 14 and 15 for information concerning outstanding “qualified” local school district bonds.

Effective July 20, 2005, Act 112, Public Acts of 1961 (“Act 112”), which implements Article IX, Section 16 of the Constitution of Michigan, was amended to provide that the proceeds of sale of notes or bonds issued by the State to make loans to school districts shall be deposited in the School Loan Revolving Fund (the “SLRF”) pursuant to Section 16c of Act 227, Public Acts of 1985, as amended (“Act 227”). Act 112 further provides that, unless the amount on deposit in the SLRF is insufficient for the purpose of making loans to school districts, the State Treasurer may satisfy the requirements of Article IX, Section 16 of the State Constitution by causing loans to school districts to be made from the SLRF.

Act 227 authorizes the Michigan Finance Authority (“MFA”) as successor to the Michigan Municipal Bond Authority, as of May 30, 2010, to issue bonds or notes to fund the SLRF. Any money repaid by school districts on loans made from the SLRF shall be deposited in the SLRF. The SLRF may also be funded by contributions from the State, including contributions resulting from the assignment by the State of the right to receive loan repayments on qualified loans made by the State from the SLRF prior to the effective date. Funds deposited in the SLRF may be used only to make qualified loans to school districts, to fund a reserve fund, to secure bonds or notes issued by the MFA to provide funds for the SLRF, to provide a surety for the payment of bonds or notes that provide direct or indirect State sponsorship or support to a school district and to pay the cost of administering the SLRF.

From time to time, the MFA issues School Loan Revolving Fund Revenue and/or Refunding Bonds. Moneys repaid by school districts on SLRF loans may be used to make new qualified loans to school districts and it is intended that the issuance of the SLRF Bonds and additional revenue bonds, by the MFA, in the future may reduce or eliminate the need for the State to issue general obligation bonds to satisfy the requirements of Article IX, Section 16 of the State Constitution, although there can be no assurance that the State’s need to issue general obligation bonds to satisfy the requirements of Article IX, Section 16 of the Constitution will be reduced or eliminated. The State continues to be authorized to issue its general obligation bonds to satisfy the requirements of Article IX, Section 16 of the State Constitution.

The following table reflects the level of outstanding “qualified” bonds of local school districts, new bond issues marketed and bonds retired at maturity, called or repurchased prior to stated maturity during the past five years.

**TABLE 14**

**LOCAL SCHOOL DISTRICT BONDS  
 “QUALIFIED” UNDER STATE SCHOOL BOND LOAN PROGRAM  
 BONDS ISSUED, RETIRED AND OUTSTANDING  
 (Dollar Amounts in Thousands)**

<b>Year Ended December 31</b>	<b>Bonds Issued</b>	<b>Bonds Retired</b>	<b>Bonds Outstanding End of Period</b>
2017	2,117,847	2,351,763	13,442,012
2018	949,470	1,261,512	13,129,970
2019	2,190,230	2,878,156	13,817,896
2020	2,753,735	1,787,154	14,784,477
2021	2,024,210	2,648,409	14,160,278

SOURCE: Municipal Advisory Council of Michigan

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TABLE 15

**LOCAL SCHOOL DISTRICT BONDS  
“QUALIFIED” UNDER STATE SCHOOL BOND LOAN PROGRAM  
TOTAL DEBT SERVICE AS OF DECEMBER 31, 2021**

<b>Year Ending December 31,</b>	<b>Principal Due</b>	<b>Interest</b>	<b>Annual Debt Service <sup>(1)</sup></b>	<b>Cumulative Debt Service</b>	<b>Percent of Total</b>
2022	\$1,165,017,302	\$540,071,199	\$1,705,088,501		
2023	\$1,074,323,302	\$495,540,245	\$1,569,863,547		
2024	\$967,651,221	\$457,875,589	\$1,425,526,810		
2025	\$938,595,221	\$423,362,736	\$1,361,957,957		
2026	\$949,841,221	\$389,107,729	\$1,338,948,950	\$7,401,385,765	38.34%
2027	\$1,023,536,846	\$354,117,461	\$1,377,654,307		
2028	\$888,103,000	\$315,735,250	\$1,203,838,250		
2029	\$835,385,000	\$284,086,444	\$1,119,471,444		
2030	\$738,255,000	\$253,778,119	\$992,033,119		
2031	\$643,725,000	\$226,745,206	\$870,470,206	\$12,964,853,091	67.16%
2032	\$581,680,000	\$202,761,762	\$784,441,762		
2033	\$538,570,000	\$180,755,008	\$719,325,008		
2034	\$472,125,000	\$159,798,893	\$631,923,893		
2035	\$401,260,000	\$140,564,791	\$541,824,791		
2036	\$360,545,000	\$123,656,749	\$484,201,749	\$16,126,570,294	83.54%
2037	\$345,300,000	\$108,175,343	\$453,475,343		
2038	\$323,425,000	\$93,243,812	\$416,668,812		
2039	\$292,400,000	\$79,132,764	\$371,532,764		
2040	\$251,555,000	\$66,530,506	\$318,085,506		
2041	\$228,880,000	\$56,227,756	\$285,107,756	\$17,971,440,475	93.09%
2042	\$199,130,000	\$46,983,993	\$246,113,993		
2043	\$180,215,000	\$38,939,483	\$219,154,483		
2044	\$161,185,000	\$31,612,754	\$192,797,754		
2045	\$140,340,000	\$24,956,190	\$165,296,190		
2046	\$132,070,000	\$19,183,679	\$151,253,679	\$18,946,056,573	98.14%
2047	\$104,270,000	\$13,692,603	\$117,962,603		
2048	\$96,925,000	\$9,296,323	\$106,221,323		
2049	\$64,815,000	\$5,177,062	\$69,992,062		
2050	\$47,685,000	\$2,480,312	\$50,165,312		
2051	<u>\$13,470,000</u>	<u>\$554,337</u>	<u>\$14,024,337</u>	\$19,304,422,211	100.00%
<b>TOTAL</b>	<u>\$14,160,278,113</u>	<u>\$5,144,144,098</u>	<u>\$19,304,422,211</u>		

(1) May not add to total due to rounding.

SOURCE: Municipal Advisory Council of Michigan

TABLE 16

STATE OF MICHIGAN GENERAL OBLIGATION DEBT  
AS OF SEPTEMBER 30, 2021  
(Dollar Amounts in Thousands)

	<u>Total Authorization</u>	<u>Remaining Authorization*</u>	<u>Outstanding Balance</u>
General Obligation Notes <sup>(1)</sup>			\$ 0
Environmental Protection Bonds	\$ 660,000	\$ 0	13,958
Recreation Bonds	140,000	0	0
School Bonds and Notes	(2)	(2)	444,366
Clean Michigan Initiative Bonds	675,000	0	154,213
Great Lakes Water Quality Bonds	1,000,000	200,000	<u>571,909</u>
<b>TOTAL GENERAL OBLIGATION DEBT</b>			<u>\$ 1,184,446</u>

(1) In each fiscal year the State may borrow an amount no greater than 15 percent of the preceding year's undedicated revenues. The notes must be redeemed in the same fiscal year they are issued.

(2) No limit established by law.

\* Bonds and notes issued to refund existing outstanding debt are not counted against remaining authorization.

SOURCE: State Department of Treasury

**State and Non-State Related Revenue and Special Obligation Bonded Indebtedness**

*State-Related Revenue and Special Obligation Debt*

The Department of Transportation, Department of Natural Resources, and State Building Authority have outstanding various revenue and special obligation debt and have the legal authority to issue such debt in the future. See Table 18 for detail.

*Department of Transportation ("MDOT")*

On November 7, 1978, the State Constitution was amended to redesignate the State Highway Commission as the State Transportation Commission and to provide that not less than 90 percent of the net collections of all motor vehicle registration and fuel taxes be used for highway purposes. Of the balance, not more than 25 percent of the sales taxes on motor vehicles, motor vehicle fuels and motor vehicle parts and accessories, and 100 percent of the taxes on aircraft registration and fuels be used for comprehensive transportation purposes as defined by law. Subsequently, the implementing statute was amended to provide that the State Transportation Commission could issue bonds for highway purposes payable solely from taxes constitutionally restricted to use for highway purposes and deposited in the State Trunk Line Fund, and to issue bonds for comprehensive transportation purposes payable solely from taxes constitutionally restricted for use for comprehensive transportation purposes and deposited in the Comprehensive Transportation Fund. The total amount of bonds issued for highway purposes may not exceed the amount serviced as to maximum annual principal and interest requirements by 50 percent of the preceding fiscal year's tax receipts deposited in the State Trunk Line Fund. The total amount of bonds issued for comprehensive transportation purposes may not exceed the amount serviced as to maximum annual

principal and interest by 50 percent of the preceding fiscal year's tax receipts deposited in the Comprehensive Transportation Fund.

The implementing statute also authorizes the State to issue 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.

#### *Michigan Road Funding Package Enacted in 2015*

On November, 10, 2015, the State enacted multiple statutes that increased transportation funding to provide for additional revenue into the MTF starting in 2017. As described below, these statutes included increases in fuel taxes and vehicle registration fees, which are constitutionally restricted revenues, and redirected some income taxes to the MTF, which are statutorily derived revenues that are not constitutionally restricted. The total amount of new revenue, estimated at \$1.2 billion on an annual basis when fully implemented, is the largest State investment in transportation in Michigan history.

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

Additionally, the funding package and subsequent legislation provides for the redirection of income tax collections to be deposited into the MTF for allocation among MDOT, counties, cities, and villages for state and local highway programs in the amounts of \$264 million in 2019, \$468 million in 2020, and \$600 million in 2021 and subsequent years.

Excise tax on recreational marijuana was allocated to the Michigan Transportation Fund for distribution to the State Trunkline fund, county road commissions, and cities and villages during fiscal year 2021 and will continue to be allocated in subsequent years. The projected revenue for the next three fiscal years is \$50.0 million in 2022, \$59.0 million in 2023, and \$67.9 million in 2024.

#### *State Building Authority ("SBA")*

The SBA was created pursuant to law and trustees were first appointed in 1977. The purpose of the SBA is to acquire, construct, furnish, equip, own, improve, renovate, enlarge, operate, mortgage, and maintain buildings, necessary parking structures or lots and facilities and sites or furnishings or equipment for the use of the State, including certain institutions of higher education in the State. Annually a process is followed to evaluate submitted projects to score the merits of each proposal. Criteria includes job creation for the state, facility utilization, and sustainable design including LEED certification standards.

The SBA is authorized under law to issue and sell bonds for acquisition and construction of facilities and State equipment in an aggregate principal amount outstanding not to exceed \$2.7 billion. Not included in this limitation is the principal amount of bonds allocated to capitalized interest until the collection of the first rentals from the facility being financed, the principal amount of bonds allocated for debt service reserves and bond issuance expenses including discounts and bond insurance premiums and bonds issued to refund outstanding bonds. The amount of bonds that may be issued by the SBA may be increased by law.

All payments under all leases heretofore entered into by the SBA have been made by the State to the SBA when due. No draws on any reserve account have been made by any trustee under any resolution or indenture with respect to the SBA's outstanding bonds. The SBA has never defaulted on payment of principal or interest on any of its bonds.

**TABLE 17\***

**DEBT SERVICE SCHEDULE OF STATE  
BUILDING AUTHORITY REVENUE  
BONDS PAYABLE AS A GENERAL FUND  
CONTRACTUAL OBLIGATION  
AS OF SEPTEMBER 30, 2021  
(Dollar Amounts in Thousands)**

<u>Year Ending September 30</u>	<u>Annual Debt Service</u>
2022	208,196
2023	208,690
2024	205,427
2025	209,314
2026	211,401
2027-2031	1,046,005
2032-2036	1,037,431
2037-2041	760,653
2042-2046	442,637
2047-2051	299,163
2052-2056	127,286
2057	<u>2,361</u>
<b>TOTAL</b>	<b><u>\$4,758,564</u></b>

SOURCE: State Building Authority

*Natural Resources Commission (the "Commission")*

Under the provisions of Part 741 of the State of Michigan Natural Resources and Environmental Protection Act, Act 451 of the Public Acts of Michigan 1994, as amended ("Act 451"), the Commission may issue revenue bonds payable from State Park Revenues for the purpose of providing a park improvement program. "State Park Revenues" is defined by Act 451 as all revenues collected for state parks, including but not limited to, revenue from recreation passport fees, motor vehicle permits, concession fees, non-motorized trail permits, fees, leases, camping fees, sale of farm animals from Maybury State Park, and donations and gifts.

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\* Interest on variable rate bonds assume interest rates as of 9/30/21 and a projected principal repayment schedule. Actual interest may vary based on a change in assumptions related to the variable rate debt or if bonds (fixed or variable) are redeemed prior to their final scheduled maturity date.

Act 451 provides that the aggregate principal amount of State Park Revenue Bonds shall not exceed \$100 million. The Commission had \$2.25 million of outstanding State Park Revenue Bonds as of September 30, 2021.

*Non-State-Related Revenue and Special Obligation Debt*

The Michigan State Housing Development Authority, the Michigan Tobacco Settlement Finance Authority, and Michigan Finance Authority Unemployment Obligation Assessment Bonds, have outstanding various revenue and special obligation debt and have the legal authority to issue such debt in the future. See Table 18 below for detail.

*Michigan State Housing Development Authority (“MSHDA”)*

MSHDA was created for the purpose of increasing the availability of safe and sanitary housing within the means of low and moderate income families. Since its inception in 1966, MSHDA has issued general obligation bonds to finance its single family housing, multifamily housing and home improvement programs. “General Obligation” as used in this discussion of MSHDA means a general obligation of MSHDA only and not of the State. In addition to bonds, MSHDA from time to time has issued Bond Anticipation Notes, Revolving Credit Notes and Construction Loan Notes. As of September 30, 2021, MSHDA had a \$100,000,000 Revolving Line of Credit with U.S. Bank.

All MSHDA general obligation bonds and notes are secured by a Capital Reserve Capital Account which as of September 30, 2021, contained approximately \$107.7 million. This amount is comprised of a \$2 million legislative appropriation and accumulated interest. Subject to the limitations of various bond resolutions, the moneys may be used for any lawful purpose. In addition, all MSHDA general obligation bond issues are secured by Capital Reserve Funds established for each series of bonds. The balances in the funds as of September 30, 2021, totaled approximately \$126.7 million in investments, with an additional \$81.8 million in a MSHDA Security Arrangement. In the event of any deficiency in the Capital Reserve Funds, MSHDA is obligated to transfer adequate moneys from the Capital Reserve Capital Account. If sufficient moneys are not available to make up such a deficiency, the State Housing Development Authority Act requires MSHDA to certify to the Governor and the Director of the Department of Technology, Management and Budget on or before September 1 of any year the amount necessary to remedy such deficiency for inclusion in the annual State budget. Such an appropriation is subject to a two-thirds vote of the Legislature. MSHDA bonds are not a debt of the State. The State Supreme Court has advised, with respect to the Act creating MSHDA, that the State has no legal obligation to appropriate moneys to the Capital Reserve Capital Account.

In addition to its general obligation notes and bonds, MSHDA is authorized to issue limited obligation notes and bonds. Such notes and bonds are not general obligations of MSHDA and are not subject to the capital reserve make-up provisions described in the preceding paragraph. As of September 30, 2021, approximately \$122.1 million of such limited obligation notes and bonds were outstanding.

*Michigan Tobacco Settlement Finance Authority (“MTSFA”)*

MTSFA was created by Act 226 of 2005, the Michigan Tobacco Settlement Finance Authority Act, within the Department of Treasury. The MTSFA was authorized to issue bonds to provide sufficient funds to purchase all or a portion of the State’s Tobacco Settlement Revenues (“TSRs”) payable to the State under the Master Settlement Agreement (“MSA”) entered into by participating cigarette manufacturers in 1998. MTSFA has issued a total of \$2,067 million in bonds pledging 24.11% of the State’s TSRs.

The MTSFA bonds are not a debt or liability of the State or any agency or instrumentality of the State, other than MTSFA. The MTSFA is not authorized to incur any indebtedness on behalf or in any way obligate the State or any political subdivision of the State. As of September 30, 2021, MTSFA had \$1,151.0 million of outstanding debt.

Pursuant to Executive Order 2010-2 effective May 30, 2010, the MFA became the successor to MTSFA.

*Michigan Finance Authority Unemployment Obligation Assessment Bonds (“UOA Bonds”)*

MFA was authorized to issue UOA Bonds to repay unemployment trust fund loans, reimburse Michigan for advances made to pay such loans, and fund ongoing unemployment benefits pursuant to the Employment Security Financing Act, Act 267 of 2011. UOA Bonds are special revenue obligations of the MFA secured solely by special assessments levied against contributing employers.

The UOA Bonds are not a debt or liability of the State or any agency or instrumentality of the State, other than a special revenue obligation of the MFA. In 2011, the MFA issued \$3,323 million in UOA Bonds (the “2011 UOA Bonds”). In 2012, the MFA issued \$2,917 million in UOA Bonds and together with additional proceeds refunded in full the 2011 UOA Bonds. See “UNEMPLOYMENT COMPENSATION” for more information.

*Michigan Underground Storage Tank Financial Assurance Authority (“MUSTFAA”)*

The MUSTFAA was created pursuant to 1988 Public Act 518, as amended (now part of Michigan’s Environmental Code) (“Act 518”). The primary purpose of MUSTFAA is to assist in financing the cost of the remediation of property damaged by the release of petroleum from underground storage tank systems.

MUSTFAA was authorized under Act 518 to, among other things, issue notes and bonds for the purposes stated above. Act 518 does not limit the aggregate principal amount of notes or bonds of MUSTFAA which may be outstanding. There are no bonds or notes outstanding.

Pursuant to Executive Order 2010-2 effective May 30, 2010, the Michigan Finance Authority (the “MFA”) became the successor to MUSTFAA.

*Underground Storage Tank Authority (“USTA”)*

The USTA was created pursuant to 2014 Public Act 416, which amended Part 215 (Refunded Petroleum Fund) of the National Resources and Environmental Protection Act by revising the State’s program for funding corrective actions to address releases from refined petroleum underground storage tank (“UST”) systems, including by renaming MUSTFAA, described above. Act 416 also created the Underground Storage Tank Cleanup Fund (“Cleanup Fund”) and designated the USTA as the administrator of the Cleanup Fund. By operation of Act 416, any bonding authority, referenced below, remains with the MFA on behalf of the USTA.

Further, Act 416 eliminated a December 31, 2015, sunset on the environmental protection regulatory fee imposed on refined petroleum product sales, requires the first \$20.0 million collected from the fee annually to be deposited in the Cleanup Fund, and requires the balance to be deposited in the Refined Petroleum Fund (“RFP”), which presently receives all of the fee revenue.

Act 416 allows a UST owner or operator to receive money from the USTA for a release that was discovered and reported after Act 416’s effective date, prescribes eligibility requirements, including



financial responsibility requirements and payment of a deductible amount, for an owner or operator to receive money from the Cleanup Fund, and clarifies that (i) the State, USTA, and MFA are not liable for claims or indemnification or any related costs when funds are not available, and (ii) that the State is not a guarantor for those UST owners or operators who might have a claim on the Cleanup Fund. No such bonds or notes have been or are presently planned to be issued.

Cleanup Fund money, upon appropriation, could be used only for (i) payment of principal and interest due bonds or notes, plus any amount necessary to maintain a fully funded debt reserve or other reserve as required by resolution, indenture, or other agreement of the MFA, (ii) a maximum of 7% of the Fund's projected revenue in any year for the reasonable administrative cost of implementing Part 215, and (iii) payment of approved claims for corrective action costs.

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TABLE 18

STATEMENT OF SPECIAL OBLIGATION AND STATE-RELATED REVENUE DEBT  
 AMOUNTS OUTSTANDING AS OF SEPTEMBER 30, 2021  
 (Dollar Amounts in Thousands)

	<u>As of September 30, 2021</u>							
	<u>Total</u>	<u>Total</u>	<u>Remaining</u>					
	<u>Authorization</u>	<u>Issued</u>	<u>Authorization</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
<b>State Related Debt:</b>								
Department of Transportation Dedicated Tax Obligation Act 51, P.A. 1951 State Trunkline Fund	(1)	\$5,721,615	(1)	\$724,635	\$597,430	\$463,520	\$1,159,100	\$1,842,610
Comprehensive Transportation	(1)	<u>1,159,972</u>	(1)	<u>97,825</u>	<u>79,775</u>	<u>60,875</u>	<u>49,540</u>	<u>37,610</u>
Total Transportation Tax Dedicated Bonds	(1)	\$6,881,587	(1)	\$822,460	\$677,205	\$524,395	\$1,208,640	\$1,880,220
MDOT Grant Anticipation Bonds and Notes	(1)	1,974,135	(1)	607,110	601,285	595,130	542,310	513,525
<b>Revenue Bonds Payable from General Fund Contractual Obligations<sup>(2)</sup></b>								
State Building Authority <sup>(3)</sup>	\$2,700,000	\$7,608,300	\$868,800	3,053,655	2,957,850	2,909,745	2,913,775	3,030,785
Department of Natural Resources State Park Revenue Bonds	100,000	<u>15,500</u>	84,500	<u>6,185</u>	<u>5,265</u>	<u>4,305</u>	<u>3,300</u>	<u>2,250</u>
<b>TOTAL STATE RELATED DEBT</b>		<u>\$14,290,587</u>		<u>\$4,489,410</u>	<u>\$4,241,605</u>	<u>\$4,033,575</u>	<u>\$4,668,025</u>	<u>\$5,426,780</u>
<b>Non-State Related Debt:</b>								
Michigan State Housing Development Authority General Obligation Bonds <sup>(4)</sup>	5,000,000	(4)	(4)	2,100,310	2,434,300	2,981,320	3,194,370	3,689,977
Michigan Tobacco Settlement Finance Authority	(5)	1,215,900	(5)	1,145,120	1,151,951	1,156,636	1,169,777	1,150,952
Michigan Finance Authority Unemployment Obligation Assessment Bonds	(6)	<u>6,240,135</u>	(6)	<u>1,253,161</u>	<u>758,691</u>	<u>174,644</u>	<u>--</u>	<u>--</u>
<b>TOTAL NON- STATE RELATED DEBT</b>		<u>\$7,456,035</u>		<u>\$4,498,591</u>	<u>\$4,344,942</u>	<u>\$4,312,600</u>	<u>\$4,364,147</u>	<u>\$4,840,929</u>

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- (1) See “STATE AND STATE-RELATED INDEBTEDNESS-Special Obligation Bonded Indebtedness-Department of Transportation.” Total includes bonds issued to refund prior issues.
  - (2) SBA Bonds are classified as revenue bonds, the pledged revenues consist of rentals payable by the State to the State Building Authority, and such rental payments are obligations for which future legislatures are or will be contractually bound to appropriate.
  - (3) Bonds issued and amounts outstanding do not include the State Building Authority’s outstanding Commercial Paper Notes. The amount of such Notes outstanding as of June 23, 2022, was \$180.0 million. The current maximum authorized amount of Commercial Paper Notes is \$225 million.

Only outstanding bonds representing net construction costs are counted against the \$2,700 million authorization limit. Bonds issued to pay capitalized interest and bond issuance expense including underwriter’s discount, bonds issued to provide deposits of debt service reserve funds and refunding bonds are not chargeable to the SBA bonding authorization.

- (4) The MSHDA’s statutory debt limit as of September 30, 2021, was \$5.0 billion (of outstanding debt), inclusive of limited obligation debt. As outstanding debt is retired, it may be replaced with new debt.
- (5) In 2006 the Michigan Tobacco Settlement Finance Authority (MTSFA) was authorized to issue \$490.5 million in taxable bonds with a pledge of 13.34% of the State’s future Tobacco Settlement Revenues (TSRs) payable on or after April 1, 2008, as security for the bonds. In 2007 the MTFSA was authorized to issue an additional \$523.0 million in taxable bonds with a pledge of 10.77% of the State’s TSRs payable on or after May 15, 2009, as security for the bonds. In 2008 the MTFSA issued an additional \$202.4 million in bonds. Proceeds of the bonds were used to refund existing 2006 bonds and deposit \$60 million to the General Fund. In 2020, the Michigan Finance Authority (MFA) issued \$851.4 million in bonds. The proceeds of the bonds were used to refund/exchange Series 2006, Series 2007, and Series 2008 bonds. MTSFA has issued a total of \$2,067 million in bonds pledging 24.11% of the State’s TSRs.
- (6) Unemployment Obligation Assessment (UOA) Bonds were special revenue obligations of the Michigan Finance Authority (MFA) secured solely by special assessments levied against contributing employers. In 2011, the MFA issued \$3,323 million in UOA Bonds. In 2012, the MFA issued \$2,917 million in UOA Bonds and together with additional proceeds refunded in full the 2011 UOA Bonds. The bonds were paid in full on December 31, 2019.

SOURCE: State Department of Treasury  
State Building Authority  
Michigan State Housing Development Authority  
Michigan Finance Authority  
Michigan Department of Transportation

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## Debt Ratios

The following table sets forth certain debt ratios for State general and special obligation bonds as of September 30, 2017, through 2021.

**TABLE 19**  
**CERTAIN STATE BONDED DEBT RATIOS**

<b>Reference Date:</b>	<b><u>2017</u></b>	<b><u>2018</u></b>	<b><u>2019</u></b>	<b><u>2020</u></b>	<b><u>2021</u></b>
Total General Obligation Debt (000s)	\$1,535,736	\$1,516,888	\$1,344,485	\$1,344,151	\$1,184,446
Total Special Obligation Debt (000s)	\$4,489,410	\$4,241,605	\$4,033,575	\$4,668,025	\$5,426,780
Population (000s)	9,977	9,987	9,985	10,077	10,051
Equalized Value (000,000s)	\$415,540	\$429,570	\$458,915	\$486,868	\$510,608
Personal Income (000,000s fiscal year)	\$455,275	\$472,450	\$488,154	\$525,192	\$551,557
<b>General Obligation Debt:</b>					
Per Capita Debt	\$153.93	\$151.89	\$134.65	\$133.39	\$117.84
Debt to State Equalized Value	0.37%	0.35%	0.29%	0.28%	0.23%
Debt to Personal Income	0.34%	0.32%	0.28%	0.26%	0.21%
<b>Special Obligation Debt:</b>					
Per Capita Debt	\$449.98	\$424.71	\$403.96	\$463.24	\$539.92
Debt to State Equalized Value	1.08%	0.99%	0.88%	0.96%	1.06%
Debt to Personal Income	0.99%	0.90%	0.83%	0.89%	0.98%

SOURCES: U.S. Department of Commerce, U.S. Census Bureau (Population)  
Michigan Department of Treasury, State Tax Commission (Equalized Value)  
U.S. Department of Commerce, Bureau of Economic Analysis (Personal Income)

## RETIREMENT FUNDS

### General

A description of the State's defined benefit and defined contribution retirement plans are set forth below. Details regarding the State's other post-employment benefits ("OPEB"), and their funding methodologies, are contained in the State's Comprehensive Annual Financial Report. See "RETIREMENT FUNDS – Other Post-Employment Benefits" herein.

### Basis of Accounting Presentation

GASB Statement No. 67 and Statement No. 74, which were adopted during the years ended September 30, 2014 and 2017 respectively, address accounting and financial reporting requirements for pension and other postemployment benefit plans. The requirements for both GASB Statement No. 67 and 74 require changes in presentation of the financial statements, notes to the financial statements and required supplementary information. Significant changes include an actuarial calculation of total, net pension and other postemployment benefit liability. It also includes comprehensive note disclosures regarding the pension and other postemployment benefit liability, the sensitivity of the net pension and other postemployment benefit liability to the discount rate and increased investment activity disclosures. The

implementation of GASB Statement No. 67 and 74 did not significantly impact the accounting for accounts receivable and investment balances. GASB Statement No. 72, Fair Value Measurement and Application was established to provide for determining a fair value measurement for financial reporting purposes. This statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. This statement was implemented in fiscal year 2016.

### **Defined Benefit Pension Plans**

The State administers all of the following defined benefit pension plans:

Legislative Retirement System (“LRS”);  
State Police Retirement System (“SPRS”);  
State Employees’ Retirement System (“SERS”);  
Public School Employees’ Retirement System (“MPERS”);  
Judges Retirement System (“JRS”); and  
Military Retirement Provisions (“MRP”).

The State is obligated to make legally required contributions only to the LRS, SPRS, SERS, JRS and MRP, and to the extent described under “MPERS – Retiree Healthcare Reform of 2012” to MPERS.

MPERS is a cost-sharing multiple-employer system. The contributions to all other systems are employer contributions to defined benefit systems. Contribution rates for the retirement system are set forth below.

An actuarial valuation by an independent actuarial consulting firm is conducted annually for all the State retirement systems.

The following table summarizes the actuarial assumptions of the retirement systems as of September 30, 2020, for both pension and OPEB including the aforementioned changes.

**TABLE 20**

**STATE RETIREMENT SYSTEMS  
DEFINED BENEFIT PENSION AND OPEB PLANS  
CONTRIBUTION RATES AND ACTUARIAL ASSUMPTIONS**

	<u>MPSERS</u>	<u>SERS</u>	<u>SPRS</u>	<u>LRS</u>	<u>JRS</u>	<u>MRP</u>
Fiscal Year 2019-20 Required Contribution Rate:						
State	N/A	36.31-45.13%	89.20-103.13%	(1)	(2)	(3)
Plan Members	0.0-7.0%(4)	4.0%	0.0-4.0%(5)	0%(6)	3.5-7.0%	0%
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization Method	Pension-Level percent closed period (7)	Pension-Level dollar closed period	Pension-Level percent closed period (7)	Pension-Level percent closed period	Pension-Level dollar closed period	Level dollar closed period
	OPEB-Level percent closed period (7)	OPEB-Level percent closed period	OPEB-Level percent closed period (7)	OPEB-Level percent closed period	OPEB-Level percent closed period	
Remaining Amortization Period	Pension-17 years as of 10/1/2021	Pension-15 years as of 10/1/2021	Pension-17 years as of 10/1/2021	Pension-10 years	Pension-15 years as of 10/1/2021	17 years as of 10/1/2021
	OPEB-17 years as of 10/1/2021	OPEB-15 years as of 10/1/2021	OPEB-17 years as of 10/1/2021	OPEB-20 years	OPEB-15 years as of 10/1/2021	
Asset Valuation Method	Pension-fair value	Pension-fair value	Pension-fair value	Pension-fair value	Pension-fair value	Pension-fair value
	OPEB-fair value	OPEB-fair value	OPEB-fair value	OPEB-fair value	OPEB-fair value	
Actuarial Assumptions:						
Wage Inflation Rate	2.75%	2.75%	2.75%	4.0%	2.75%	2.75%
Investment Rate of Return(8)	Pension (MIP & Basic) 6.8%	Pension-6.7%	Pension Plus- 6.85%	Pension-7.0%	Pension-6.25%	6.75%
	Pension Plus- 6.8%	OPEB-6.9%	Non Pension Plus-6.8%	OPEB-4.0%	OPEB-7.0%	
	Pension Plus 2- 6%(9)		OPEB-6.9%			
	OPEB-6.95%					
Projected Salary Increases	2.75-11.55%	2.75-11.75%	3.27-87.75%	4.0%	3.25%	2.75%
Cost-of-Living Adjustments	3% annual non- compounded for MIP members	3% annual non- compounded maximum annual increase of \$300 for those eligible	2% annual non- compounded maximum annual increase of \$500 for those eligible	4% annual (compounded, except annual 4% non- compounded for members first elected after January 1, 1995)	Assumed 3.25% compounded for those eligible	Assumed 2.75% compounded for those eligible

(1) No employer contributions were made in FY2020 for the pension fund.

(2) The JRS annual employer pension and OPEB contributions are determined by the independent actuary. The contributions are transferred annually into the JRS trusts and not charged as a contribution rate. In Fiscal Year 2018-19, the State made a required contribution to the pension plan of \$2,840,119 and \$398,154 to the OPEB plan.

- (3) The MRP annual contribution is determined by the independent actuary. The contribution is transferred quarterly into the MRP trust and not charged as a contribution rate. In Fiscal Year 2019-20, the State contributed \$1,000,000 to the MRP pension plan.
- (4) Basic Plan members contribute 0.0–4% of salary. Members in the Member Investment Plan contribute 3%–7% depending on their date of hire. Pension Plus members contribute 3.0-6.4%. Pension Plus 2 members hired after February 1, 2018 contribute 50% or normal cost and UAAL. The Pension Plus 2 member contribution rate is currently 6.2%.
- (5) The State Troopers’ union and the State of Michigan negotiated a new retirement plan for new State Troopers and Sergeants. As a result, a State Trooper who became a member of SPRS on or after June 10, 2012, is a Pension Plus member. The Pension Plus pairs a guaranteed retirement income (Defined Benefit) with a flexible and transferable retirement savings (Defined Contribution) account. Public Act 674 of 2018 codified the Pension Plus plan in the SPRS statute.
- (6) For the LRS, there are no active member contributions for pension benefits and 3 active members for OPEB benefits.
- (7) Public Acts 181 and 674 of 2018 enacted a gradual reduction to the payroll growth assumption to 0% in 50 basis point increments beginning with the Sept. 30, 2019 Pension and OPEB valuations for MPSERS and SPRS. It is expected that it will take 7 years for the transition from level-percent to level-dollar amortization to be completed.
- (8) In the summer of 2017 the retirement boards and the director of the Department of Technology, Management and Budget (DTMB) adopted a dedicated investment gains policy which uses excess investment gains to reduce the assumed rate of investment return (AROR) in all of the State plans with the exception of the LRS which is not administered by DTMB. Excess investment gains in the 2017 and 2018 fiscal years were used to reduce the AROR in nearly all State plans with the exception of JRS OPEB and MRP pension which were reduced through joint approval of the 2017 experience study recommendations by the retirement board and the DTMB director.
- (9) Act 92 closes the current hybrid (Pension Plus) plan and places all new school employees hired on or after February 1, 2018, into the DC plan unless a new employee elects to opt into the Pension Plus 2 plan.

The State Constitution requires funding for unfunded prior service costs, which is implemented by State law. GASB rules apply to the individual retirement plans and their financial statements. Their assets are stated at market value.

The following table provides a schedule of funding progress for the defined benefit plans administered by the State:

**TABLE 21**  
**STATE RETIREMENT SYSTEMS**  
**UNFUNDED ACCRUED ACTUARIAL LIABILITY <sup>(1)</sup>**  
**(Dollar Amounts in Millions)**

<b>Retirement Fund</b>	<b>Sept. 30, 2016</b>	<b>Percent Funded</b>	<b>Sept. 30, 2017</b>	<b>Percent Funded</b>	<b>Sept. 30, 2018</b>	<b>Percent Funded</b>	<b>Sept. 30, 2019</b>	<b>Percent Funded</b>	<b>Sept. 30, 2020</b>	<b>Percent Funded</b>
MPSERS	\$29,107.0	59.7%	\$29,438.0	61.6%	\$32,745.0	60.7%	\$33,779.7	60.4%	\$33,750.3	60.9%
SERS	6,078.0	64.3	5,997.0	66.5	6,501.0	65.8	6,547.0	65.4	6,446.3	65.6
SPRS	734.9	63.4	749.0	65.1	771.8	66.0	800.7	65.5	829.1	65.1
MRP	46.0	7.4	45.3	9.2	39.6	30.3	3.9	93.6	2.4	96.0
LRS	57.2	69.9	59.9	68.3	67.9	64.3	67.5	64.4	69.4	62.6
JRS	(2.7)	101.1	1.9	99.3	6.1	97.8	10.1	96.3	10.1	96.3
<b>TOTALS</b>	<b>\$36,020.4</b>		<b>\$36,291.10</b>		<b>\$40,063.5</b>		<b>\$41,208.9</b>		<b>\$41,107.6</b>	

(1) Percent funded is the ratio of actuarial value of assets divided by the actuarial accrued liability.

SOURCE: State Department of Technology, Management and Budget, Office of Retirement Services with respect to MPSERS, SERS, SPRS, MRP and JRS and the Legislative Retirement System with respect to LRS

NOTE: The Funded Status - The AAL, UAAL, and funded status disclosures for pensions are no longer GAAP under GASB No. 67. Rather, GASB No. 67 requires disclosure of the components of the net pension liability.

TABLE 22

**MEASUREMENT OF NET PENSION LIABILITY  
(Dollar Amounts in Thousands)  
September 30, 2021**

<b>Retirement Fund</b>	<b>Total Pension Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Net Pension Liability (assets)</b>	<b>Fiduciary Net Position as Percentage of Total Pension Liability</b>
MPSERS	\$ 87,569,423	\$ 63,332,155	\$ 24,237,267	72.32%
SERS	18,546,771	14,481,588	4,065,183	78.08
SPRS	2,427,301	1,842,516	584,785	75.91
MRP	59,796	67,641	(7,845)	113.12
LRS	275,360	124,491	150,869	45.21
JRS	264,089	299,941	(35,852)	113.58
<b>TOTALS</b>	<b>\$ 109,142,740</b>	<b>\$ 80,148,332</b>	<b>\$ 28,994,407</b>	

As described in greater detail below, in 1996, legislation was enacted which requires that employees of the State who are hired after March 31, 1997, become members of the State-sponsored defined contribution plan. This effectively closed the SERS, LRS and JRS defined benefit plans. In addition, legislation was enacted in 1996 which excludes university employees hired after January 1, 1996, from membership in MPSERS.

**MPSERS**

*Pension Reform 2010 - 2018*

On May 19, 2010, the Governor signed Public Act 75 of 2010 (“Act 75”) into law. As a result, any member of MPSERS who joined after June 30, 2010, is a Pension Plus member. Pension Plus is a hybrid plan that contains a pension component with an employee contribution (graded, up to 6.4% of salary) and a flexible and transferable defined contribution tax-deferred investment account that earns an employer match of 50% (up to 1% of salary) on employee contributions. Retirement benefits for Pension Plus members are determined by final average compensation and years of service. Disability and survivor benefits are available to Pension Plus members.

On September 4, 2012, the Governor signed Public Act 300 of 2012 (“Act 300”) into law. The legislation grants all active members who first became a member before July 1, 2010, and who earned service credit in the 12 months ending September 3, 2012, or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election of one of four options regarding their pension. Any changes to a member’s pension became effective as of the member’s transition date, which is defined as the first day of the pay period that begins on or after February 1, 2013. Under the reform, members voluntarily chose to increase, maintain, or stop their contributions to the pension fund.

Employees who first work on or after September 4, 2012, choose between two retirement plans: the Pension Plus hybrid plan described above and a Defined Contribution (“DC”) plan that provides a 50% employer match (up to 3% of salary) on employee contributions. New employees are automatically enrolled as members in the Pension Plus plan as of their date of hire. They have 75 days from the last day of their first pay period to elect to opt out of the Pension Plus hybrid plan and become a qualified participant in the DC plan; if no election is made they will remain in the Pension Plus hybrid plan. If they elect to opt



out of the Pension Plus hybrid plan, their participation in the DC plan will be retroactive to their date of hire.

On July 13, 2017, the Governor signed Public Act 92 of 2017 (“Act 92”) into law. Other than those on active duty in the armed forces, this eliminates the purchase of service credit in the legacy pension plan after September 29, 2017, for out-of-system service; service at a nonpublic elementary, secondary, or postsecondary institution; State of Michigan service; service for sabbatical leave; service for parental leave; and the purchase of universal service credit, unless the purchase is initiated by September 29, 2017.

Act 92 closed the current hybrid (Pension Plus) plan and placed all new school employees hired on or after February 1, 2018, into the DC plan unless a new employee elects to opt into the new hybrid plan. Under Act 92, the new hybrid plan has the same pension calculations and benefits as the prior hybrid, along with the same DC plan components; except that the new hybrid assumes a 6% rate of return on assets supporting the system, changes what an employee pays into the system, and includes a variable retirement age based on mortality experience.

Act 92 allows for the determination of a separate contribution rate for members in the new hybrid plan, where any change in the UAAL will be amortized on a 10-year level-dollar schedule, with a new contribution rate calculated for each year. It requires normal cost and unfunded actuarial accrued liability (“UAAL”) contributions for members in the new hybrid plan to be paid on a cost-sharing basis of 50% by the employer and 50% by the employee.

Act 92 defines “regular retirement age” as age 60 for a member in the Pension Plus plan who is hired between July 1, 2010, and January 31, 2018, and as age 60 for a member first hired on or after February 1, 2018, who opts into the hybrid system, but provides for an adjustment to the regular retirement age if certain conditions are met based on mortality experience.

Act 92 also provides that the new hybrid plan can be closed to new employees who are hired on or after 12 months after a “qualifying event,” which is defined as one in which a valuation indicates that the funded ratio of the new hybrid plan falls below 85% for two consecutive years, based on a five-year smoothing of investment returns.

Beginning with fiscal year 2018-19, Act 92 established a “floating floor” for the employer’s contribution rates as a percentage of payroll, meaning the employer portion of the normal cost and the UAAL contribution rates cannot decline from the previous year. This provision was later updated by Public Act 181 of 2018 which changed the rate floor to a UAAL dollar floor, meaning the total employer UAAL dollar amount cannot decline from the previous year beginning in Fiscal Year 2022. It also required a school district’s payroll on which the UAAL rate is applied to be adjusted by the change in the district’s current operating expenditures, and require that the adjusted payroll become the basis on which the UAAL contribution rate is determined. This provision was repealed by Public Act 512 of 2018 before it took effect.

Act 92 requires the MPSERS retirement board and Office of Retirement Services (“ORS”) to study and adopt risk assumptions on which the actuarial valuations are based, after consultation with the actuary and the State Treasurer, and require a periodic review of those assumptions at least once every five years. It also requires the State Treasurer and ORS to report every April 1 following this periodic review on various rates of return and assumptions with material impacts on the retirement plans.

Public Act 181 of 2018 enacted a gradual reduction to the payroll growth assumption for MPSERS to 0% in 50 basis point increments beginning with the Sept. 30, 2019, valuations, affecting the Fiscal Year 2022 employer contributions. Once the 0% payroll growth assumption is fully phased-in, the amortization method for both pension and OPEB will be level dollar.

### *Retiree Healthcare Reform of 2012*

Act 300 also granted all active members of the MPSERS, who earned service credit in the 12 months ending September 3, 2012, or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their retirement healthcare. Any changes to a member's healthcare benefit are effective as of the member's transition date, which is defined as the first day of the pay period that begins on or after February 1, 2013. Under Act 300, members were given the choice between continuing a 3% contribution to retiree healthcare and keeping the premium subsidy benefit described above, or choosing not to pay the 3% contribution and instead opting out of the subsidy benefit and becoming a participant in the Personal Healthcare Fund ("PHF"), a portable, tax-deferred fund that can be used to pay healthcare expenses in retirement. Participants in the PHF are automatically enrolled in a 2% employee contribution into their 457 account as of their transition date, earning them a 2% employer match into a 401K account. Members who selected this option stop paying the 3% contribution to retiree healthcare as of the day before their transition date, and their prior contributions will be deposited into their 401K account no later than their first pay date after March 1, 2013. Members who did not make an election before the deadline retain the subsidy benefit and continue making the 3% contribution toward retiree healthcare. Deferred or non-vested members on September 3, 2012, who are rehired on or after September 4, 2012, will contribute 3% to retiree healthcare and will retain the subsidy benefit.

Returning members who made the retirement healthcare election will retain whichever option they chose.

Those who elected to retain the premium subsidy continue to annually contribute 3% of compensation into the health care funding account. A member or former member age 60 or older, who made the 3% healthcare contributions but who does not meet eligibility requirements may request a refund of their contributions. Similarly, if a retiree dies before the total value of the insurance subsidy paid equals the total value of the contributions the member made, and there are no eligible dependents, the beneficiary may request a refund of unused funds. Refunds of member contributions to the healthcare funding account are issued as a supplemental benefit paid out over a 60 month period.

1. Retirees with at least 21 years of service, who terminate employment after October 31, 1980, with vested deferred benefits, are eligible for subsidized employer paid health benefit coverage.

2. A delayed subsidy applies to retirees who became a member of the retirement system before July 1, 2008, and who purchased service credit on or after July 1, 2008. Such individuals are eligible for premium subsidy benefits at age 60 or when they would have been eligible to retire without having made a service purchase, whichever comes first. They may enroll in the insurances earlier, but are responsible for the full premium until the premium subsidy begins.

Under Act 300, the State no longer offers an insurance premium subsidy in retirement for public school employees who first work on or after September 4, 2012. Instead, all new employees will be placed into the PHF where they will have support saving for retirement healthcare costs in the following ways:

They will be automatically enrolled in a 2% employee contribution into a 457 account as of their date of hire, earning them a 2% employer match into a 401K account.

They will receive a credit into a Health Reimbursement Account (“HRA”) at termination if they have at least 10 years of service at termination. The credit will be \$2,000 for participants who are at least 60 years of age at termination or \$1,000 for participants who are less than 60 years of age at termination.

Participants in the PHF, who become disabled for any reason, are not eligible for any employer funded health insurance premium subsidy. If a PHF participant suffers a non-duty related death, his or her health benefit dependents are not eligible to participate in any employer funded health insurance premium subsidy. If a PHF participant suffers a duty death, the state will pay the maximum health premium allowed by statute for the surviving spouse and health benefit dependents. The spouses’ insurance subsidy may continue until his or her death, the dependents’ subsidy may continue until their eligibility ends (through marriage, age, or other event). Upon eligibility for a duty death benefit, the 2% employer matching contributions and related earnings in the PHF 401K are forfeited and the state will pay for the subsidy payments. The beneficiaries receive the member’s personal contributions and related earnings in the PHF 457 account.

#### *MPSERS Employer Rate Cap*

Reporting units under MPSERS generally pay the actuarial cost of retirement under MPSERS by remitting a percentage of covered school employees’ payroll to MPSERS. A portion of this payment is applied towards the UAAL in MPSERS. Act 300 capped the amount that all reporting units except participating state public universities pay toward the UAAL in MPSERS. Under Act 300, beginning with fiscal year 2012-13, and for each subsequent fiscal year, the UAAL contribution rate applied to payroll is capped at 20.96% (which was the 2011-12 level). Under Act 300, any additional UAAL contributions above that cap, as determined under the MPSERS statute for each fiscal year, are to be paid by appropriation from the School Aid Fund. Public Act 136 of 2016 established a UAAL rate cap for participating state public university employers of 25.73%. In addition to establishing a UAAL rate cap, PA 136 requires university reporting units to contribute 25.73% of the greater of their actual payroll or the payroll as projected by the actuary beginning with the September 30, 2012 MPSERS university actuarial valuations. For the 2019-20 fiscal year, the state school aid act allocates from appropriated K-12 funds for above-the-cap contributions for K-12 reporting units an amount not to exceed \$1,127.8 million from the School Aid Fund.

#### **SERS**

Public Act 185 of 2010 established a pension supplement. Members who retired under the retirement incentive of the legislation agreed to forfeit accumulated leave balances, excluding banked leave time; in exchange they receive a pension supplement for 60 months to their retirement allowance payments equal to 1/60 of the amount forfeited from funds, beginning January 1, 2011.

#### *Pension Reform of 2012*

On December 15, 2011, the Governor signed Public Act 264 of 2011 (“Act 264”) into law. Similar to legislation applicable to MPSERS, described above, Act 264 granted members a choice regarding their future retirement plan that involves future contributions of their compensation, and/or a switch from a defined benefit plan to a defined contribution plan.

Deferred members of the DB plan (with 10 or more years of service) who are reemployed by the State on or after January 1, 2012, become participants in the DC plan. Their pension calculation is determined by their final average compensation (“FAC”) and years of service as of March 31, 2012. They retain their eligibility for the retiree health insurance premium subsidy offered by the State. Former nonvested members of the DB plan (with less than 10 years of service) who are reemployed by the State on or after January 1, 2012, and before January 1, 2014, become participants in the DC plan. When they have earned sufficient service credit for vesting (10 years) they would be eligible for a pension based on their FAC and years of service in the DB plan as of March 31, 2012. They retain their eligibility for the retiree health insurance premium subsidy offered by the State. Former nonvested members (with less than 10 years of service) of the DB plan who are reemployed by the State on or after January 1, 2014, become members of the DC plan. Any service credit previously earned would count towards vesting for the DC plan. They will not be eligible for any pension or retiree health insurance coverage premium but will become a participant in the Personal Healthcare Fund where they will contribute up to 2% of their compensation to a 401K or 457 account, earning a matching 2% employer contribution. They will also receive a credit into a health reimbursement account at termination if they terminate employment with at least 10 years of service. The credit will be \$2,000 for participants who are at least 60 years old or \$1,000 for participants who are less than 60 years old at termination.

On October 27, 2015, the Governor signed Executive Order No. 2015-13 creating a new State of Michigan Retirement Board (“Board”). Effective January 1, 2016, under the supervision of the Department of Technology, Management and Budget, through ORS, the functions, duties, responsibilities, and rule-making authority of the State Employees’ Retirement System Board, the Judges Retirement Board, and the Military Retirement Provisions, respectively have been transferred to the newly established Board.

Also included in this executive order, the newly established Board shall administer the Military Retirement Provisions as part of a qualified pension plan created in trust under Section 401 of the Internal Revenue Code, 26 USC 401, in accordance with State Employees’ Retirement Act.

## **401K Deferred Compensation Fund and Defined Contribution Retirement Fund**

### *General*

The State of Michigan 401K Plan (“Plan”) is a deferred compensation fund and a defined contribution retirement fund sponsored by the State of Michigan. The Plan covers employees of the State of Michigan; employees of the Michigan public school reporting units hired on or after July 1, 2010; and former employees of the Education Achievement Authority (“EAA”) hired on or before July 1, 2017. Act 264 established a Personal Healthcare Fund within the Plan for State employees, which can be used to pay healthcare expenses in retirement. The Plan was established by the Civil Service Commission in 1985 as a 401K deferred compensation plan. The Plan was amended as of March 31, 1997, to implement a defined contribution retirement fund. The Plan Document was restated effective January 1, 2014, to incorporate all amendments, update changes required by law, and add new sections for changes in provisions made since the previous restatement, and the restated Plan Document was amended effective January 1, 2015.

### *Eligibility*

Employees eligible to participate in the 401K deferred compensation fund on the first day of employment are State of Michigan employees hired before March 31, 1997; judges elected before March 31, 1997; public school employees enrolled in the defined benefit pension plan who were hired prior to July 1, 2010, and who did not elect the Personal Healthcare Fund retaining premium subsidy healthcare; and Michigan State Police hired prior to June 10, 2012.

Employees eligible to participate in the 401K defined contribution fund on the first day of employment are State of Michigan employees hired on or after March 31, 1997; State of Michigan employees hired prior to March 31, 1997, who irrevocably elected to forgo participation in the State's defined benefit pension plan; judges elected on or after March 31, 1997; judges elected prior to March 31, 1997 who irrevocably elected to forgo participation in the State's defined benefit pension plan; Michigan State Police employees hired on or after June 10, 2012; public school employees hired on or after July 1, 2010; public school employees hired prior to July 1, 2010, who either elected the Personal Healthcare Fund or irrevocably elected to forgo participation in the defined benefit pension plan; and EAA employees hired prior to July 1, 2017.

### *Contributions*

In accordance with Section 401(k) of the Internal Revenue Code, effective January 1, 1987, the Plan limits the amount of an individual's annual contribution, including additional catch-up contributions for those participants age 50 or older. Plan limits are adjusted each year by the IRS based on increases in the CPI.

For State of Michigan employees and judges participating in the defined contribution retirement fund and who are covered by the State's defined benefit pension plans, the Plan provides for the State of Michigan to make a mandatory contribution of 4.0% plus matching contribution of up to 3.0% of each participant's compensation. The State does not make matching contributions for employees in the deferred compensation component of the Plan. Under Act 92, beginning in October 2017, the mandatory contribution of 4.0% plus matching contribution of up to 3.0% of each participant's compensation will be made by the employer for all existing school employees who previously chose the DC plan option under Act 300 or choose the DC option upon employment under Act 300 or Act 92.

In addition, the Plan provides for public school reporting units and the Michigan State Police employees to make a mandatory contribution of 50% of eligible participants' voluntary contributions up to 1%. The Plan also provided for the EAA to make mandatory contribution of 100% of participants' voluntary contributions up to 7.5%.

Finally, the Plan provides for the PHF for the State of Michigan employees hired on or after January 1, 2012; public school employees; public school employees hired on or after September 4, 2012; and Michigan State Police employees hired after June 10, 2012, to account for employee contributions and an employer match up to 2% of compensation. State of Michigan employees hired after March 31, 1997, but prior to January 1, 2012, and who opted out of the graded premium benefit receive an employer match of up to 2% of compensation plus a monetized amount for existing years of service upon terminating employment. Public school employees hired prior to September 4, 2012, and who opted out of the graded premium benefit receive an employer match on up to 2% of compensation.

## **457 Deferred Compensation Plan**

### *General*

The State of Michigan 457 Plan ("457 Plan") is a deferred compensation plan sponsored by the State of Michigan. The 457 Plan covers employees of the State of Michigan, employees of the Michigan public school reporting units hired on or after July 1, 2010, and employees of the EAA hired on or before July 1, 2017. Act 264 established the Personal Healthcare Fund within the 457 Plan for State employees, which can be used to pay healthcare expenses in retirement. The 457 Plan was established by the Civil Service Commission in 1974. The first enrollment was on April 17, 1975, with contributions starting in May 1975. The 457 Plan document was restated effective January 1, 2012, to incorporate all amendments,

update changes required by law, and add new sections for changes in provisions made since the previous restatement, and the restated 457 Plan document was amended effective January 1, 2015.

### *Eligibility*

The following employees are eligible to participate in the 457 Plan as of the first day of employment: State of Michigan employees; judges; and Michigan State Police employees.

### *Contributions*

Employees may voluntarily elect to contribute a portion of their compensation to the 457 Plan through payroll deductions, limited in accordance with the Internal Revenue Code, including additional catch-up contributions for those participants age 50 or older. Plan limits are adjusted each year by the IRS based on increases in the CPI.

The 457 Plan provides for the PHF for State of Michigan employees hired on or after January 1, 2012; public school employees hired on or after September 4, 2012, and Michigan State Police employees hired after June 10, 2012, to account for employee contributions and an employer match of up to 2% of compensation. State employees hired after March 31, 1997, but prior to January 1, 2012, and who opted out of the graded premium receive an employer match on up to 2% of compensation plus a monetized amount for existing years of service upon terminating employment. Public school employees hired prior to September 4, 2012, and who opted out of the graded premium benefit receive an employer match on up to 2% of compensation.

### **Other Post-Employment Benefits**

Benefit provisions of the postemployment benefit plan are established by State statute, which may be amended. Public Act 240 of 1943, as amended, establishes eligibility and benefit provisions for the OPEB plan. Defined Benefit (Tier 1) members are eligible to receive health, prescription drug, dental, and vision coverage on the first day they start receiving pension benefits. Defined Contribution (Tier 2) participants who elected to retain the graded premium subsidy benefit under the reform elections of Act 264, are also eligible to receive subsidized health, prescription drug, dental and vision coverage after terminating employment, if they meet eligibility requirements. There is no provision for ad hoc or automatic increases. The State Employees' Retirement Act requires joint authorization by the Department of Technology, Management and Budget and the Civil Service Commission to make changes to retiree medical benefit plans. Defined Contribution (Tier 2) participants who elected the Personal Healthcare Fund under Act 264, and those hired on or after January 1, 2012, are not eligible for any subsidized health, prescription drug, dental or vision coverage in retirement, but may purchase it at their own expense (certain conditions apply). Former non-vested members of the DB plan who are reemployed by the state on or after January 1, 2014, are not eligible for retiree health insurance coverage premium but will become a participant in the Personal Healthcare Fund. Public Act 185 of 2010 required that each actively employed member or qualified participants of the system, beginning with the first pay date after November 1, 2010, and ending September 30, 2013, contribute an amount equal to 3.0% of the member's or qualified participant's compensation toward retiree healthcare. Act 264 rescinded that provision and refunded any collected contributions to all members. In addition to member contributions, the employer funds OPEB benefits for both Tier 1 and Tier 2 members on a prefunded basis. Retirees with the premium subsidy benefit contribute 20% of the monthly premium amount for the health (including prescription coverage), dental and vision coverage. Retirees with a graded premium subsidy benefit accrue credit towards insurance premiums in retirement, earnings a 30% subsidy with ten years of service, with an additional 3% subsidy for each year of service thereafter, not to exceed the maximum allowed by statute, or 80%. The employer's payroll contribution rate to provide this benefit was 20.67% for Fiscal Year 2020. Retirees are provided with life

insurance coverage equal to 25% of the active life insurance coverage, \$1,000 for spouse and \$1,000 for each dependent under age 23. Premiums are fully paid by the State.

The Government Accounting Standards Board has promulgated accounting and financial reporting standards (“GASB Statement No. 74”), which require accrual-based measurement and recognition of OPEB expense over a period that approximates employees’ years of service and provides information about actuarial accrued liabilities associated with OPEB. The State adopted the standards set forth in GASB Statement No. 74 in its 2016-17 fiscal year.

The State obtains an actuarial valuation conducted by an independent consulting firm annually with respect to OPEB costs for plans administered by the State. The significant actuarial assumptions on which the actuarial valuation is based are the same as the actuarial assumptions for the State’s pension plans set forth in Table 20 above, with other actuarial assumptions specific to those required by GASB Statements No. 74 & 75. Accordingly, the results of the annual actuarial valuation of OPEB obtained by the State and summarized in Table 23 below comply with GASB Statements No. 74 and 75.

## **SPRS**

### *Pension Reform of 2012*

The State Troopers’ union and the State of Michigan negotiated a new retirement plan for new State Troopers and Sergeants. As a result, a State Trooper who became a member of the SPRS on or after June 10, 2012, is a Pension Plus member. The Pension Plus plan pairs a guaranteed retirement income (Defined Benefit pension) with a flexible and transferable retirement savings (Defined Contribution) account. These changes were codified in the SPRS statute with Public Act 674 of 2018.

**Regular Retirement** – For a Pension Plus member, who became a member of SPRS on or after June 10, 2012, the retirement benefit equals 2% of a 5-year final average compensation (excluding overtime) multiplied by the total number of years of credited service, not to exceed 25 years. After 25 years of credited service, the benefit multiplier declines by 0.4% each year until reaching 0% at 30 years of service. The reduced benefit multiplier applies only to years 26 through 30, not the first 25 years. This benefit is paid monthly over the lifetime of a member. A Pension Plus Plan member who became a member of SPRS on or after June 10, 2012, may retire at age 55 with 25 years of service or 60 with 10 or more years of service.

**Deferred Retirement** – A Pension Plus Plan member who became a member of SPRS on or after June 10, 2012, with 10 or more years of credited service who terminates employment but has not reached the age of 60 is a deferred member and is entitled to receive a monthly allowance upon reaching age 60, provided the member’s accumulated contributions have not been refunded.

**Post Retirement Adjustments** – A Pension Plus member who became a member of SPRS on or after June 10, 2012, does not receive an annual post-retirement increase.

**Contributions (Member Contributions)** – Pension Plus members who became members of SPRS on or after June 10, 2012, contribute 4% of gross wages for the pension component of their plan. An additional, optional, 4% contribution of gross wages is withheld for the savings component of their plan. The first 2% of employee contributions are directed to the member’s PHF and receive an employer match of 100% up to a maximum of 2%. The next 2% employee contributions are identified as retirement savings and receive an employer match of 50% up to a maximum of 1%. These members will also receive a credit into a HRA at termination if they have at least 10 years of service at termination. The credit will be up to \$2,000 for participants.

**Contributions (Employer Contributions)** – For a Pension Plus member who became a member of SPRS on or after June 10, 2012, there is an employer match for retirement of 100% of the first 2% of employee deferrals for retiree healthcare up to a maximum employer contributions of 2%. In addition employers match 50% of the next 2% of employee deferrals, up to a maximum employer contribution of 1%.

**Other Post-Employment Benefits as of 2012**

A Pension Plus member who became a member of SPRS on or after June 10, 2012, will be enrolled into a PHF, which is a separate account within the State of Michigan 401K Plan. The optional second 2% of their contributions plus their employer match are directed into the PHF. These members will also receive a credit into a HRA at termination if they have at least 10 years of service at termination. The credit will be up to \$2,000 for participants.

**Military Retirement Provisions**

Effective January 1, 2016, in accordance with Executive Order 2015-13, the Military Retirement Provisions (MRP) is now administered through a trust, and therefore subject to the requirements of GASB Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27, and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68, as implemented in fiscal year 2015. The resulting impact of GASB Statement No. 68 and GASB Statement No. 71 on MRP was to eliminate the \$16.8 million net pension obligation and establish an NPL with a balance of \$78 million.

The following table sets forth the Other Post-Employment Benefits UAAL for JRS, SPRS, SERS and LRS. Although the State administers the MPSERS, no information with respect to that plan is presented in Table 23 because the State is not obligated to make contributions to that plan. Additionally, the MRP does not have an Other Post-Employment Benefits Plan.

**TABLE 23**

**STATE RETIREMENT SYSTEMS  
OTHER POST-EMPLOYMENT BENEFITS  
UNFUNDED ACCRUED ACTUARIAL LIABILITY  
(Dollar Amounts in Thousands)**

<b>Health Plan</b>	<b>Valuation Date September 30,</b>	<b>Unfunded Actuarial Accrued Liability ("UAAL")</b>	<b>Percent Funded</b>
SERS	2020	\$5,011,401	42.5%
SPRS	2020	448,495	38.5%
LRS	2020	103,089	23.3%
JRS	2020	(103)	101.11%

Annual Comprehensive Financial Reports of SERS, SPRS, MPSERS, JRS and MRP may be found at [www.michigan.gov/ors](http://www.michigan.gov/ors) and are also available upon request from the Michigan Department of Technology, Management and Budget Office of Retirement Services, State of Michigan, Lansing, Michigan 48909; Telephone (517) 284-4400. Comprehensive Annual Financial Reports for the LRS may be obtained from the Legislative Retirement System, P.O. Box 30014, Lansing, Michigan 48909; Telephone (517) 373-0575.



## **UNEMPLOYMENT COMPENSATION**

Unemployment compensation benefits in the State are financed primarily through unemployment taxes levied on employers. The moneys collected from this tax are deposited in the Unemployment Insurance Agency, of the Department of Labor and Economic Opportunity for transfer to the U.S. Treasury as part of the federal unemployment trust fund. The moneys in the special trust fund in Washington, D.C. are transferred back to the State at the request of the Unemployment Insurance Agency for the purpose of paying unemployment benefits to individuals meeting the eligibility requirements outlined in State law. As of September 30, 2021 the balance in the State's Unemployment Insurance Trust Fund was \$913.8 million.

Title XII of the Social Security Act provides that Federal Unemployment Trust Fund advances ("Federal Advances") may be made to a state when the state's account in the Federal Unemployment Trust Fund has insufficient funds to meet its benefit obligations. As of September 30, 2021, the State has no outstanding loans.

Provisions under the Michigan Employment Security Act allow for a special assessment on employers to generate revenue to pay the principal and interest on the UOA Bonds. Employers began to pay this Obligation Assessment for quarter end March 31, 2012 by April 25, 2012. Obligation Assessment revenues collected in fiscal year ended September 30, 2021 totaled \$1.4 million. The final quarter on which the tax was assessed was the December 31, 2019 quarter, due January 27, 2020. The Obligation Assessment fund had employer receivables of \$739 thousand in fiscal year ended September 30, 2021, and the Agency is receiving collections for these even though assessments have been halted in 2020.

## **TAXABLE VALUATIONS**

Taxable property, both real and personal, is assessed initially by the local assessing officials (city or township assessors), then equalized by the respective counties and finally equalized again by the State. Michigan law has historically provided that all ad valorem property taxes must be levied only upon State Equalized Valuations ("SEV"). In accordance with Act 409, Public Acts of 1965, and Article 9, Section 3 of the State Constitution, State Equalized Valuation is required to represent not more than 50 percent of true cash value. Certain real and personal property are exempted from ad valorem property taxation.

An amendment to the State Constitution adopted March 15, 1994, together with implementing legislation, provide that, beginning with taxes levied in 1995, ad valorem taxes will be levied on taxable value ("Taxable Value") and increases in the Taxable Value of individual parcels of existing property will be limited to the lesser of 5% or the rate of inflation. Taxable Value may not exceed SEV. When property is subsequently transferred, its Taxable Value will revert to the SEV level of 50% of true cash value, except for qualified agricultural property for continued agricultural use. This cap applies to both homestead and non-homestead property.

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## APPENDIX II

### DEFINITIONS AND SUMMARIES OF CERTAIN PROVISIONS OF THE LEASE, THE INDENTURE AND THE MORTGAGE

#### Relating to

#### **The Economic Development Corporation of the City of Flint Limited Obligation Revenue Refunding Bonds, Series 2022 (State of Michigan Department of Health and Human Services Office Building Project)**

The following is a summary of certain provisions of (i) State Lease #11428-2009, between MIG Investments, LLC, a Michigan limited liability company (the “Seller”), and State of Michigan acting by the Department of Technology, Management and Budget for the Department of Human Services, as Lessee (the “State”), as subsequently assigned by the Seller to the Issuer pursuant to a Limited Assignment of Lease between the Seller and the Issuer and amended by Addendum #1 to State Lease #11428-2009, dated December 21, 2011 and amended again by Addendum #2 to State Lease #11428-2009, dated as of August 30, 2022 between the Issuer and the State (as assigned and amended, the “Lease”), (ii) the Trust Indenture dated as of December 1, 2011 (the “Indenture”), between the Issuer and U.S. Bank National Association, as trustee (the “Trustee”), and (iii) the Mortgage (the “Mortgage”) executed by the Issuer in favor of the Trustee in order to secure the payment of the principal of and interest on the Bonds. The summaries of the Lease, the Indenture and the Mortgage contained in this Official Statement do not purport to be complete or definitive and are qualified in their entirety by reference to such documents, copies of which may be obtained from the Trustee or, during the offering period for the Bonds, from the Underwriter.

#### DEFINITIONS

“Act” means Act No. 338, Public Acts of Michigan, 1974, as amended.

“Additional Insurance” means (a) commercial automobile liability insurance covering all owned, non-owned and hired vehicles, in an amount not less than \$1,000,000 per occurrence, (b) workers compensation for any employee of the Manager, and (c) a fidelity bond or fidelity insurance coverage of not less than \$500,000 on all employees, agents, officers and director who are involved in, or employed in connection with, the performance of the Manager’s obligation under the Management Agreement, all of such policies shall name the Issuer, the State, the Trustee and their respective departments, boards, agencies, commissioners, officers, employees and agents as additional insureds and loss payees.

“Annual General Expense Amount” means the annual amount for each Bond Year equal to \$10,308 payable on September 1 of each year, to be used to pay the Trustee Fee and the Issuer’s Annual Fee with respect to or relating to the Project or the Bonds, plus the Annual Lessor Insurance Amount.

“Annual Lessor Insurance Amount” means \$300 as adjusted from time-to-time upon written direction of the Issuer, but not less than the annual amount required to pay the premium for the Lessor Insurance.

“Base Rental” means the rental payments paid by the State to the Issuer pursuant to Sections 5.3, 5.4, 5.4(a), 5.4(b), 5.4(c), or 5.4(d) of the Lease.

“Bond Fund” means the Bond Fund established pursuant to Section 501 of the Indenture.

“Bond Redemption Account” means the Bond Redemption Account of the Bond Fund established pursuant to Section 501 of the Indenture, the funds of which will be applied by the Trustee for the payment of principal of and the interest on the Bonds in connection with an optional or extraordinary redemption of the Bonds, and otherwise as provided for by the Indenture

“Bond Service Account” means the Bond Service Account of the Bond Fund established under Section 501 of the Indenture.

“Bond Year” means the annual period ending each October 15.

“Bonds” means the Issuer’s Limited Obligation Revenue Bonds, Series 2022 (State of Michigan Department of Health and Human Services Office Building Project) issued pursuant to the Indenture.

“Event of Nonappropriation” means (a) there is a specific prohibition arising out of the appropriation process of the State against using funds for the Lease or (b) if the State fails to appropriate funds for the purpose of paying the Base Rental on such Lease.

“Expense Account” means the Expense Account of the Project Maintenance Fund established pursuant to Section 602 of the Indenture.

“Expense Rental” means the additional rental consideration, initially in the amount of \$7,807 per month, paid by the State pursuant to Section 5.6 of the Lease, as adjusted annually under Section 5.7 of the Lease, to reimburse the Issuer for certain maintenance obligations and cost of insurance under the Lease.

“General Account” means the General Account of the Project Maintenance Fund established pursuant to Section 502 of the Indenture.

“General Account Requirement” means, on a monthly basis, the sum of one-twelfth of the Annual General Expense Amount (\$859 per month).

“Indenture” means the Trust Indenture, dated as of August 1, 2022 between the Issuer and the Trustee.

“Issuer” means The Economic Development Corporation of the City of Flint.

“Issuer’s Annual Fee” means \$5,000, payable annually in advance without proration each September 1, commencing September 1, 2023, pursuant to the Indenture and any other instructions provided by the Issuer to the Trustee.

“Lease” means the State Lease #11428-2009 between MIG Investments, LLC and the State as subsequently assigned to the Issuer pursuant to the Limited Assignment of Lease, and amended by an Addendum #1 to State Lease #11428-2009, dated December 21, 2011 and amended by Addendum #2 to State Lease #11428-2009, to be dated as of August 30, 2022 between the Issuer and the State, and any permitted amendments and supplements thereto as the Issuer, as Lessor, and the State may enter into from time to time.

“Lessor Insurance” means the rental and business interruption insurance required by Section 3.1(w) of the Lease, covering loss of Base Rental income in the amount not less than twelve months of Base Rental becoming due, calculated as of any date within the policy period.

“Limited Assignment of Lease” means the Limited Assignment of State Lease, dated December 21, 2011, by and between the Seller and the Issuer, pursuant to which the Seller will (i) assigned all of its rights under the Lease to the Issuer and (ii) retained most of its obligations under the Lease (see “Retained Obligations”).

“Management Account” means the Management Account of the Project Maintenance Fund established pursuant to Section 602 of the Indenture.

“Management Agreement” means the Property Management Agreement dated as of December 21, 2011 between the Issuer and the Manager under which the Manager provides property management services for the Project.

“Manager” shall mean the person or entity engaged by the Issuer to provide property management services for the Project pursuant to the Management Agreement. The initial Manager shall continue as Boji Group, LLC, a Michigan limited liability company.

“Monthly Management Fee” means the monthly fee for management services for the Project as set forth in the Indenture, as may be amended from time-to-time.

“Mortgage” means the mortgage dated as of December 21, 2011, executed by the Issuer in favor of the Trustee with respect to the Project.

“New Revenues” means, in the event the State terminates the Lease in accordance with Article XI of the Lease (other than by reason of the State’s exercise of its option to acquire title to the Project pursuant to Article XIII of the Lease), (a) any lease revenue or other income received by the Issuer and relating to the Project, net of broker fees and costs, (b) any net sale proceeds received by the Issuer and derived from the sale of the Project, or (c) any other revenues received by the Issuer and derived from the enforcement of any rights and remedies of the Trustee under the Mortgage.

“Prior Bonds” means the Issuer’s Limited Obligation Revenue Bonds, Series 2011 (State of Michigan Department of Human Services Office Building Project) issued in an aggregate principal amount not to exceed \$8,435,000, dated December 21, 2011.

“Project” means the land and improvements located at 4817 – 4829 Clio Road, City of Flint, Michigan, containing approximately 40,734 square feet of useable space for lease to the State of Michigan for use as offices for its Department of Human Services.

“Project Maintenance Fund” means the Project Maintenance Fund established pursuant to Section 602 of the Indenture.

“Rental” means the Base Rental and New Revenues, if any.

“Repair and Replacement Account” means the Repair and Replacement Account of the Project Maintenance Fund established pursuant to Section 502 of the Indenture.

“Repair and Replacement Account Reserve Requirement” means an aggregate amount of at least \$168,000 required to be on deposit in the Repair and Replacement Account on or before October 15, 2031, which shall be satisfied through monthly deposits in the Repair and Replacement Account in the amounts set forth in the Indenture.

“Retained Obligations” means all obligations of the Lessor pursuant to Section 3.1(a)–(ff) of the Lease retained by the Seller under the Limited Assignment of Lease including but not limited to the following: (a) all warranty and documentation obligations of the Seller as the initial developer of the Project including compliance with state, federal and local laws and ordinances, providing certificates of occupancy and other governmental approvals, providing title and environmental documents and warranties, compliance with all construction requirements, standards and specifications of the Lease including completing any punch list items and providing assignments of warranties from manufacturers and suppliers to the State, and paying any moving allowance as set forth in the Lease; (b) all cost of maintenance, repair and replacement of facilities, systems and improvements at the Project that are not reimbursed by the State; (c) any and all indemnification or defense obligations of the Lessor under the Lease; (d) all costs associated with any future remodeling or repairs to comply with applicable laws, codes and ordinances regardless of whether such costs are reimbursed by the State under the Lease, and any repairs or alterations necessary as a result of a partial taking; (e) carpet and ceiling tile replacement as provided in the Lease; (f) obtaining and maintaining in the form required by the State Lease and/or the Indenture all insurance required to be obtained and/or maintained by Lessor under the State Lease and/or the Indenture, including full replacement value insurance, general premises liability insurance, rental interruption and business interruption insurance, and payment of any deductible amounts under such insurance policies; (g) defending and satisfying all claims related to the adequacy of title of the Property arising or related to an event occurring prior to Issuer acquisition of title or as a result of acts or omissions of the Seller or the Manager, or as a result of acts or omissions of those other than the

Issuer; (h) performing all obligations and resulting claims related to the environmental condition of the Project now existing or during the term of the Lease; (i) performing all obligations and resolving all claims related to errors, omissions or defaults of the Lessor under the Lease, whether occurring prior to or after the effective date of the Limited Assignment of Lease, including those relating to the initial development of the Project or under the Limited Assignment of Lease; (j) any costs related to casualty loss or property liability not covered by insurance; (k) all costs related to providing updated title and environmental reports at the end of the Lease term and any other costs related to the transfer of the Project to the State whether pursuant to the Lease or otherwise; (l) the cost of any and all other liabilities or obligations of the Lessor under the Lease to any party; and (m) any and all liabilities and obligations of the developer of the Project (including those arising under the Lease) pursuant to requirements of applicable governmental authorities, including but not limited to alley maintenance and insurance, and any payments due to the City of Flint inclusive of payments in lieu of taxes accruing during the term of the State Lease or thereafter in the event of purchase of the Property by the State, and any and all obligations set forth in any and all development agreements entered into or imposed by any applicable governmental authorities.

“Retained Obligations Account” means the Retained Obligations Account of the Project Maintenance Fund established pursuant to Section 502 of the Indenture.

“Retained Obligations Fee” means the Retained Obligations Fee payable to the Seller on a semi-annual basis in the amount set forth in the Indenture, as may be amended from time-to-time.

“Retained Obligations Reserve Requirement” means \$25,000.

“Revenue Account” means the Revenue Account of the Bond Fund established under Section 501 of the Indenture.

“Security” means (a) the Lease and all payments of the Base Rental to be made by the State under the Lease, (b) New Revenues to be received by the Issuer under the Lease, (c) the Mortgage, (d) all amounts in the Bond Fund, and (d) all of the proceeds of the foregoing, including earnings and profits derived from the moneys in the Bond Fund.

“Seller” means MIG Investments, LLC, a Michigan limited liability company.

“State” means the State of Michigan.

“State Insurance” means the insurance policies required by the Issuer and the State as required by Section 3.1(u) and (v) of the Lease, which shall be comprised of (a) full replacement value insurance for the Project, having only standard exclusions, i.e. for acts of war, nuclear disaster, or civil riots, (b) general premises liability insurance for the Project, which provides full coverage for the Issuer, the Trustee and the State, and their respective departments, boards, agencies, commissioners, officers, employees, and agents and which protects against all claims, demands, actions, suits, or causes of action, and judgments, settlements or recoveries, for bodily injury or property damage arising out of a condition of the Project having minimum policy limits in the amount of \$500,000 per occurrence for property damage, and \$1,000,000 per occurrence for bodily injury, with a \$2,000,000 aggregate limit, and such insurance shall list the Issuer, the State, and the Trustee and its several departments, boards, agencies, commissions, officers, employees, and agents as additional insureds. Pursuant to the Indenture, the Issuer and the Trustee acknowledge that the State is self-insured.

“Trustee” means U.S. Bank Trust Company, National Association, Detroit, Michigan and its successors and assigns.

“Trustee Fee” means the annual amount per bond year of \$5,000, payable in advance on September 1, commencing September 1, 2023.

## SUMMARY OF THE LEASE

The following is a summary of certain provisions of the Lease and related documents.

The Project was conveyed by the Seller to the Issuer subject to the Lease simultaneously with the issuance of the Prior Bonds free and clear of all encumbrances except those that do not materially impair the use of the Project or materially detract from the value of the Project and are acceptable to the Issuer.

### **Limited Assignment of Lease**

Concurrently with the delivery of the Prior Bonds, the Seller and the Issuer entered into the Limited Assignment of Lease pursuant to which the Seller (i) assigned all of its rights under the Lease to the Issuer and (ii) retained most of its obligations under the Lease. In exchange for the Seller undertaking continuing responsibility for the Retained Obligations, the Seller will be entitled to the Retained Obligations Fee. The Real Estate Purchase Agreement between the Seller and the Issuer provided that the Seller's obligation to perform the Retained Obligations shall continue for the entire term that the Bonds are outstanding.

As security for the Seller's fulfillment of the Retained Obligations, the Seller will deposit with the Trustee for deposit in the Retained Obligations Account, an amount equal to the Retained Obligations Reserve Requirement. The Seller is obligated to ensure that the Retained Obligations Reserve Requirement for the Project is maintained for the term of the Bonds.

### **Base Rental and Expense Rental**

Construction of the Project is complete and the State is in possession of the Project. Base Rental commenced on October 1, 2012. Base Rental is payable in monthly installments, in advance, and the first day of each month.

The Lease set forth certain circumstances under which the State may terminate the Lease or otherwise not pay Base Rental as described under the heading SUMMARY OF LEASE-Termination of the Lease.

The Expense Rental is payable monthly and will be used primarily for insurance on and maintenance of the Project, as described in the Lease.

If for any reason all or any portion of the Project becomes untenable or partially untenable, then Base Rental shall abate for the period the Project is untenable or partially tenable, and the Base Rental shall be adjusted accordingly; provided, however, that if the Project is totally or partially destroyed, the Base Rental shall be paid as described under the heading "SUMMARY OF THE LEASE – Destruction of the Project."

### **Operation and Maintenance of Project**

Concurrently with the acquisition of the Project by the Issuer and the execution of the Limited Assignment of Lease, the Issuer entered into the Management Agreement under which the Manager provides property management services for the Project. Under the Management Agreement the Manager will be entitled to the Monthly Management Fee which will be paid from the Project Maintenance Fund as described below under "SUMMARY OF THE INDENTURE."

All costs and expenses of State Insurance, operation and maintenance of the Project are to be paid by the Issuer, as Lessor, and reimbursed by the State through Expense Rental payments.

The Lessor is responsible for paying certain costs which are not reimbursed by the State, including Lessor Insurance, carpeting and ceiling tile replacements during the 11th and 21st year of possession, and certain remodeling that may be required by existing or future laws, ordinances or regulations. These obligations of the Lessor will be paid from the Project Maintenance Fund.

## **Insurance**

The Issuer, as Lessor, is required to maintain the State Insurance during the term of the Lease, with the costs of such insurance reimbursed by the State as Expense Rental. The Issuer, as Lessor, is also required to maintain the Lessor Insurance during the term of the Lease; costs of the Lessor Insurance are not reimbursed by the State but will be paid from Rentals. The Issuer requires the Manager to obtain and maintain the State Insurance and the Lessor Insurance on its behalf. Additionally, the Issuer requires the Manager to maintain and pay costs of the Additional Insurance.

## **Destruction of the Project**

In the event that less than ten percent (10%) of the replacement value of the Project is damaged or destroyed by any casualty insured under the Lessor's insurance policy, the Lessor shall, at its own expense as speedily as circumstances permit, repair the damage and restore the Project to its prior condition within thirty (30) days after notice of the damage or destruction. In the event that between ten percent (10%) and fifty percent (50%) of the replacement value of the Project is damaged or destroyed by any casualty insured under the Lessor's insurance policy, the Lessor shall at its own expense as speedily as circumstances permit, repair the damage and restore the Project to its prior condition within ninety (90) days after notice of the damage or destruction. In the event that more than fifty percent (50%) of the replacement value of the Project is damaged or destroyed by any casualty insured under the Lessor's insurance policy, the Lessor shall have the option of repairing or reconstructing or cancelling the Lease, which option must be exercised within ninety (90) days after the damage or destruction. In addition, in the event of a total destruction of the Project, the State may cancel the Lease as described in SUMMARY OF LEASE – Termination of Lease.

## **Improvements to the Project**

The Lease permits improvements to the Project to be made by the State at the State's expense, provided that all such improvements must be and remain property of the State, and may be removed by the State before cancellation or termination of the Lease.

## **Termination of the Lease**

*Termination upon Failure to Appropriate.* The Lease shall terminate and be canceled if there is an Event of Nonappropriation.

The State may cancel a Lease in the Event of Nonappropriation if the Lessor is notified in writing at least thirty (30) days prior to the effective date of the cancellation. Upon cancellation of a Lease, the State shall surrender possession of the Project in the same condition as when delivered to the State, reasonable wear and tear excepted.

*Cancellation upon Occurrence of Certain Listed Events.* A Lease may be canceled by the State and the obligations of the State under the Lease, including its obligation to pay Base Rental thereunder, shall be terminated if the Issuer as Lessor is notified in writing at least thirty (30) days before the effective date of cancellation and any one of the following occur: (a) the Lessor in its capacity as lessor of the Project or any subcontractor, manufacturer or supplier of the Lessor appears in the register compiled by the Michigan Department of Licensing and Regulatory Affairs under the Employers Engaging in Unfair Labor Practices Act; (b) the Lessor in its capacity as lessor of the Project or any subcontractor, manufacturer or supplier of the Lessor is found guilty of discrimination the Elliott-Larsen Civil Rights Act or the Persons with Disabilities Civil Rights Act; (c) the Project does not comply with the barrier free design requirements of the Utilization of Public Project by Physically Limited (d) the Project is taken for a public purpose by eminent domain/condemnation proceedings by a governmental unit (e) The State's use of the Project violates local adopted ordinances or recorded deed restrictions; (f) the State acquires fee title to the Project; (g) the Lessor fails to maintain the Project in tenable condition; (h) the Lessor fails to repair or restore the Project for damage specified related to destruction of the Project as described above (see SUMMARY OF THE LEASE – Destruction of the Project.); or (i) damage or destruction in the event of a casualty so extensive as to constitute a total destruction of the Project (see SUMMARY OF THE LEASE – Destruction of Project).



*Obligation of Issuer to Lease or Sell Project in Event of Termination.* The Indenture provides that in the event that the State terminates or cancels the Lease in accordance with its terms prior to the end of the initial term (other than by reason of the State's exercise of its option to acquire title to the Project), the Issuer shall use commercially reasonable efforts to retain, within 30 days of notice that the Lease has been terminated, an experienced commercial real estate broker and require that such broker use commercially reasonable efforts to locate a new tenant or purchaser of the Project on commercially reasonable terms. New Revenues that result from any new lease of the Project or from any sale of the Project after termination of the Lease shall be paid to the Trustee for deposit in the Revenue Account. Amounts in the Revenue Account are withdrawn first for deposit in the Bond Service Account to be used to pay principal of and interest on the Bonds.

### **Eminent Domain/Condemnation Proceedings**

The Lessor must notify the State within ten (10) days of the commencement of eminent domain/condemnation proceedings against the Project. If a total taking of the Project by any public authority under the power of eminent domain/condemnation occurs, then the Lease shall cease as of the date of possession, and the Base Rental shall be paid up to the date with a proportionate refund by the Lessor of the Base Rental that may have been paid in advance subsequent to the date of taking. If a partial taking of the Project occurs, the State shall have the right to either terminate the Lease and declare the same null and void, or, subject to the Lessor's right of termination set forth below, to continue in possession of the remainder of the Project and shall notify the Lessor in writing within ten (10) days after such taking of the State's intention. In the event the State elects to remain in possession, all of the terms of the Lease continue except that the Base Rental are reduced in proportion to the amount of the Project taken, and the Lessor shall, at its own cost and expense make all of the necessary repairs or alterations to the Project so as to constitute the remaining portion of the Project a complete architectural unit. If more than fifty percent (50%) of the Project is taken under the power of eminent domain/condemnation, the Lessor may by written notice to the State delivered on or before the date of surrendering Project possession, terminate the Lease. All damages awarded for either total or partial taking under the power of eminent domain/condemnation shall be the property of the Lessor, except damages awarded for compensation for diminution in value of the leasehold interest which shall be the property of the State. The State shall be entitled to all damages and the cost flowing from its loss of the leasehold interest, including the loss of value of the remaining term of the Lease, the economic value of the Lease, depreciation and costs of removal of the State's supplies, fixtures and relocation costs.

### **Title/Purchase Option**

The State has the option to purchase the Project for one dollar at the end of the term of such Lease in consideration for the State remaining in possession of the Project for the full term of such Lease.

The State may also exercise its right under the Lease to acquire title to the Project by paying the Pay Off Balance to the Lease being the sum of (i) the amount necessary to defease the outstanding principal balance of the Bonds, (ii) accrued interest on the Bonds, and (iii) the present value of the Retained Obligations Fee.

Upon transfer of title of the Project to the State, all duties and obligations under the Lease terminate unless specifically reserved in the Lease.

## **SUMMARY OF THE INDENTURE**

### **Security**

The Bonds are secured by a first pledge of the Security under the Indenture. The Security is defined as (a) the Lease and all payments of the Base Rental to be made by the State under the Lease, (b) New Revenues to be received by the Issuer under the Lease, (c) the Mortgage, (d) all amounts in the Bond Fund, and (d) all of the proceeds of the foregoing, including earnings and profits derived from the moneys in the Bond Fund.

## **Funds Established Under Indenture**

The Indenture directs the Trustee to establish (i) the Bond Fund to provide for payment of the Bonds, and the Project Maintenance Fund to provide for payment of costs of maintaining the Project. Separate accounts have been established within the Bond Fund and Project Maintenance Fund as described below.

### **Bond Fund**

The Indenture directs the Trustee to establish the Bond Fund for payment of the Bonds. The Bond Fund, including earnings and profits derived from the moneys in the Bond Fund, is part of the Security for payment of the Bonds. The Bond Fund includes the Revenue Account, the Bond Service Account, and the Bond Redemption Account.

#### *Application of the Revenue Account*

The Revenue Account of the Bond Fund is established to receive all Rental. Upon receipt of each monthly Rental, the Trustee will transfer monies from the Revenue Account to other accounts established under the Indenture.

#### *Application of the Bond Service Account*

The Bond Service Account of the Bond Fund shall be used to pay principal of and interest on the Bonds.

#### *Application of the Bond Redemption Account*

The Bond Redemption Account of the Bond Fund shall be used to redeem Bonds from proceeds of casualty insurance awards. See "Disposition of Insurance Proceeds" below.

### **Project Maintenance Fund**

The Indenture directs the Trustee to establish the Project Maintenance Fund to pay costs of maintaining the Project. The Project Maintenance Fund includes the General Account, the Management Account, the Repair and Replacement Account, the Retained Obligations Account, and the Expense Account. The Project Maintenance Fund is not pledged as Security for the Bonds.

#### *Application of the General Account*

The General Account of the Project Maintenance Fund shall be used to pay expenses in the following priority: first, the premium due for the Lessor Insurance, second, the Trustee Fee, third, the miscellaneous expenses of the Trustee related to the Bonds or the Project, fourth, on each September 1, commencing September 1, 2023, the Issuer's Annual Fee, fifth, the miscellaneous expenses of the Issuer related to the Bonds or the Project, and, sixth, other miscellaneous expenses related to the Bonds or the Project.

#### *Application of the Management Account*

The Management Account of the Project Maintenance Fund shall be used to pay the Monthly Management Fee to the Manager of the Project unless the Trustee receives written direction from the Issuer to the contrary.

#### *Repair and Replacement Account*

The Repair and Replacement Reserve Account of the Project Maintenance Fund shall be used, at the written direction of Issuer, to pay for the cost of carpet and ceiling tile replacement as required by the Lease. On October 15, 2031 the Trustee is required to transfer the any balance in an amount greater than \$168,000 in the Repair and Replacement Account to the Bond Redemption Account.

### *Application of the Retained Obligations Account*

The Retained Obligations Account of the Project Maintenance Fund shall be used: (i) to pay the premiums for Additional Insurance, the Lessor Insurance, and the State Insurance policies in the event that the Trustee receives notice that such premiums have not been paid; (ii) in the event that the State determines pursuant to the Lease that an adjustment to Expense Rental is warranted resulting in a payment due to the State, to pay the State the amount due upon receipt from the Issuer of a written copy of the State's determination; and (iii) at the written direction of the Issuer to pay (a) the costs of performing Retained Obligations if not properly or timely performed by the Seller in a manner acceptable to the State and the Issuer, and other costs, expenses and security as described in the Limited Assignment of Lease, (b) any costs of administration of the Bonds including Trustee's fees and costs in excess of the amount deposited in the General Account, and (c) any federal arbitrage rebate liability with respect to the Bonds.

The Trustee shall accumulate and retain in the Retained Obligations Account an amount equal to the Retained Obligations Reserve Requirement. Subject to the limitations on payment described in the Limited Assignment of Lease, and provided that the Retained Obligations Reserve Requirement is maintained and replenished by the Seller at the required amounts, money in the Retained Obligations Account in excess of the Retained Obligations Reserve Requirement shall be used by the Trustee to pay the Retained Obligations Fee to the Seller on a semi-annual basis.

Pursuant to the Indenture, on or before the third business day following receipt of Rental and any other New Revenues on September 1, 2032, the Trustee shall determine the balance on deposit in the Retained Obligations Account and shall transfer, in Authorized Denominations, the amount in excess of the sum of the Retained Obligations Reserve Requirement plus \$9,750.00 (the next succeeding semi-annual amount of Retained Obligations Fee) from the Retained Obligations Account to the Bond Redemption Account. The Trustee shall then cause notice of redemption of the term bond Bond maturing in 2039, in an amount equal to the transferred amount, with a redemption date of October 15, 2032. The Indenture then directs the Trustee to redeem that amount of Bonds maturing October 15, 2039 on October 15, 2032.

After application of the Rental payable on February 1, 2039, no additional deposits will be made to the Retained Obligations Account. Subject to the limitations on payment described in the Limited Assignment of Lease, in the event that there is a balance in the Retained Obligations Account after the Project is conveyed to the State, the balance shall be paid to the Seller.

### *Application of the Expense Account*

The Expense Account of the Project Maintenance Fund shall be disbursed to the Manager for reimbursement of expenses incurred in connection with performing certain operating and maintenance obligations under the Lease and to pay costs of the State Insurance with respect to the Project.

## **Flow of Funds**

### *Application of Proceeds of Bonds and of Prior Indenture*

Monies on deposit under the Prior Indenture and, immediately upon the receipt thereof, the proceeds of the sale of the Bonds, shall be deposited and apportioned between the Escrow Agreement and the Indenture, pursuant to the written direction of an Authorized Officer of the Issuer, to provide for the redemption of the Prior Bonds on the Redemption Date (as defined in the Escrow Agreement) to pay Costs of Issuance; and to meet the minimum balance requirements in certain accounts within the Indenture.

### *Application of Base Rental and New Revenues*

Each month Base Rental and New Revenues shall be disbursed by the Trustee to the Revenue Account of the Bond Fund.

Each month Base Rental and New Revenues shall be transferred by the Trustee from the Revenue Account to the following accounts in the following order: (i) to the Bond Service Account of the Bond Fund, an amount equal to the sum of one-sixth of the semi-annual interest payment next due on the Bonds and one-twelfth of the principal payment next due on the Bonds; (ii) to the General Account of the Project Maintenance Fund, an amount equal to General Account Requirement; (iii) to the Management Account of the Project Maintenance Fund, an amount equal to the Monthly Management Fee; (iv) to the Bond Redemption Account of the Bond Fund, New Revenues remaining after the deposits listed in (i), (ii), and (iii) of this sentence; (v) to the Repair and Replacement Account of the Project Maintenance Fund, any amount necessary to replenish the Repair and Replacement Account as a result of amounts previously withdrawn; and (vi) any balance remaining to the Retained Obligations Account of the Project Maintenance Fund.

#### *Application of Expense Rental*

Expense Rental paid by the State pursuant to Section 5.6 of the Lease shall be deposited by the Trustee in the Expense Account of the Project Maintenance Fund.

#### **Disposition of Insurance Proceeds**

In the event that more than fifty percent (50%) of the replacement value of the Project is damaged or destroyed by any casualty insured under the State Insurance policy, the Issuer has the option under Section 3.10 of the Lease to repair or reconstruct the Project or cancel the Lease. The Issuer may not elect to cancel the Lease unless proceeds of a casualty insurance award, together with moneys on deposit in the Bond Fund are sufficient to pay the outstanding principal amount of the Bonds, plus accrued interest. In the event that the proceeds of casualty insurance award, together with money on deposit in the Bond Fund are sufficient to redeem or defease all outstanding Bonds, the Issuer may elect to cancel the Lease, in which case the proceeds of casualty insurance awards shall be used to redeem the Bonds or any part of the Bonds in accordance with the provisions of the Indenture and shall be held in the Bond Redemption Account for that purpose.

The proceeds of any title insurance shall be applied for the purpose of clearing and obtaining title to the site of the Project and to the extent not so used or if the Issuer determines, upon advice of its counsel, that title cannot be cleared, the proceeds of title insurance shall be deposited to the credit of the Bond Redemption Account and used to retire Bonds on the next date that such Bonds may be redeemed or (ii) be used to defease the Bonds or any part of the Bonds in accordance with the provisions of the Indenture.

#### **Certain Covenants**

The Indenture contains the following covenants of the Issuer:

*Payment of Bonds.* The Issuer will promptly pay, but only from the Security, the principal, premium, if any, and interest on the Bonds at the place, on the dates and in the manner provided in the Bonds.

*Insurance and Disposition of Insurance Proceeds.* The Issuer is required to maintain insurance on the Project in the amounts required by Lease (see “SUMMARY OF THE LEASE — Insurance”) and, in case of the failure of the Issuer to maintain such insurance, the Trustee may secure such insurance; provided, however, the Trustee shall purchase such insurance only from funds held by it under the Indenture.

The proceeds of casualty insurance or title insurance may only be used by the Issuer to defease the Bonds if the proceeds of casualty insurance award, together with money on deposit in the Bond Service Account and the Bond Redemption Account are sufficient to redeem or defease all outstanding Bonds.

If the Lease is cancelled, the Issuer shall keep the Project insured at replacement cost for the full insurable value against fire and such other hazards and risks customarily covered by the standard form of extended coverage endorsement available in the state of Michigan, including risks of vandalism and malicious mischief; any insurance policies described in this sentence must provide for payment to the Trustee in the event of loss.

*Revenues and Rents.* The Issuer will not use any of the Rental, revenues or other moneys to be derived from the Project for any purpose other than those provided for in the Lease and the Indenture. The Issuer will not enter into any contract or take any action inconsistent with the provisions of the Indenture or the Lease.

### **Tax Exempt Status of the Bonds**

The Issuer, under the Indenture, has agreed that, to the extent permitted by law, it will take all actions within its control and that it shall not fail to take any action as may be necessary to maintain the exclusion to the exclusion of the interest on the Bonds from gross income for federal income tax purposes.

### **The Trustee**

The Indenture provides that the Trustee shall be depository of all the funds and accounts established by the Indenture, and shall deposit moneys in the appropriate funds and accounts as received as required by the Indenture and shall pay out money from each of the funds and accounts at the times and in the manner required by the Indenture. The Trustee will be compensated from Rental for all services performed under the Indenture and for all of the expenses, charges and other disbursements and those of its attorneys, agents, and employees incurred in the administration and execution of the trusts and agencies created by the Indenture and the performance of its powers under the Indenture. The Indenture provides that the Trustee shall be removed at any time by an instrument or concurrent instrument in writing, filed with the Trustee, the State and the Issuer and signed by the holders of a majority in principal amount of the outstanding Bonds. In addition, as long as the Issuer is not in default under the Lease, the Issuer, upon 60 days notice to the Trustee, shall have the right to remove the Trustee by an instrument in writing filed with the State and the Trustee.

### **Defaults and Remedies**

Events of Default under the Indenture are (a) default in the due and punctual payment of the interest on or principal of, premium on, or redemption of any Bond, whether at the stated maturity thereof, or upon proceedings for redemption thereof, (b) default in the performance or observance of any other obligation or condition on the part of the Issuer contained in the Indenture or the Bonds, and the continuance thereof for a period of 60 days after written notice given to the Issuer by the Trustee or by the holders of not less than 20% in aggregate principal amount of the Bonds then outstanding, except that if such default cannot be corrected within such period, it shall not constitute an Event of Default if in the judgment of the Trustee in reliance upon an opinion of Counsel and with the consent of the Issuer the default is correctable without a material adverse effect on the Bonds and if corrective action is instituted by the Issuer within such period and diligently pursued until the default is corrected; (c) occurrence of a default under the Lease; and (d) occurrence of an Event of Default under the Mortgage.

Upon the happening and continuance of any Event of Default specified in the preceding paragraph, then the Trustee may, or upon the written request of the holders of not less than a majority in principal amount of the Bonds then outstanding, the Trustee shall, by written notice by registered or certified mail to the Issuer, declare the Bonds to be immediately due and payable, and the Trustee shall give notice thereof by first class mail to all holders of outstanding Bonds. If, after the principal of the Bonds shall have been so declared to be due and payable and before any judgment or decree for the payment of the moneys due shall have been obtained or entered as hereinafter provided, the Issuer shall cause to be deposited with the Trustee a sum sufficient to pay all matured installments of interest upon all Bonds, and the principal of any and all Bonds which shall have become due otherwise than by reason of such declaration (with interest upon such principal and, to the extent permissible by law, on overdue installments of interest, at the rate per annum then borne by the Bonds) and such amount as shall be sufficient to cover reasonable compensation and reimbursement of expenses payable to the Trustee and all Events of Default (other than nonpayment of the principal of Bonds which shall have become due by said declaration) shall have been remedied, then, in every such case, such Event of Default shall be deemed waived and such declaration and its consequences rescinded and annulled; provided, however, that no such waiver, rescission and annulment shall extend to or affect any other Event of Default or subsequent Event of Default or impair any right, power or remedy consequent thereon. The Trustee shall send notice of any rescission to the Issuer

In addition to the remedies specified in the preceding paragraph, upon the happening and continuance of any Event of Default, the Trustee may proceed, and upon the written request of the holders of not less than a

majority in principal amount of the Bonds then outstanding and receipt of indemnity to the satisfaction of the Trustee (except against its own negligence or willful misconduct) the Trustee shall, in its own name and as the Trustee of an express trust: (i) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the holders under, and require the Issuer to carry out any agreements with or for the benefit of the holders of Bonds and to perform its or their duties under, the Indenture, the Lease and the Mortgage; (ii) bring suit upon the Bonds; (iii) bring suit to enforce the provisions of the Lease and collect Rental due and owing by the State under the Lease; (iv) by action or suit to exercise remedies under the Mortgage, including without limitation to cause the foreclosure of the Mortgage and the appointment of a receiver to take over the operation of the Project for the benefit of the Bondholders; or (v) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the holders of Bonds. In exercising such rights and the rights given the Trustee under the Indenture, the Trustee will take such action as, in the judgment of the Trustee applying the standards described the Indenture, would best serve the interests of the Bondholders. Upon the occurrence and continuance of an Event of Default, the Trustee shall have no duty to foreclose on or take any action in connection with any interest in real property or fixtures in which it has or obtains a mortgage or security interest unless the Trustee receives indemnification satisfactory to it for the payment or reimbursement of all fines, judgments, settlements, attorneys' fees, interest, penalties and all other costs and expenses made or incurred by the Trustee and to protect the trust and the Trustee against all liability arising out of such foreclosure or other action.

The Trustee shall waive any Event of Default hereunder and its consequences and rescind any declaration of acceleration of principal upon the written request of the Bondholders of (i) a majority in principal amount of all outstanding Bonds in respect of which default in the payment of principal of or interest on the Bonds exists or (ii) a majority in principal amount of all outstanding Bonds in the case of any other Event of Default; *provided, however*, that (x) there shall not be waived any Event of Default in the due and punctual payment of the interest on or principal of, premium on, or redemption of any Bond, whether at the stated maturity or prior redemption, unless prior to such waiver or rescission the Issuer shall have caused to be deposited with the Trustee a sum sufficient to pay all matured installments of interest upon all Bonds and the principal and purchase price of any and all Bonds which shall have become due otherwise than by reason of such declaration of acceleration (with interest upon such principal and, to the extent permissible by law, on overdue installments of interest, at the rate per annum then borne by the Bonds) and (y) no Event of Default shall be waived unless (in addition to the applicable conditions stated above) there shall have been deposited with the Trustee such amount as shall be sufficient to cover reasonable compensation and reimbursement of expenses payable to the Trustee. In case of any waiver or rescission described above, or in case any proceeding taken by the Trustee on account of any such Event of Default shall have been discontinued or concluded or determined adversely, then and in every such case the Issuer, the Trustee and the holders of Bonds shall be restored to their former positions and rights hereunder, respectively; *provided, further* that no such waiver or rescission shall extend to any subsequent or other Event of Default, or impair any right consequent thereon.

The holders of the majority in principal amount of the outstanding Bonds in default shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, to direct the method of conducting all remedial proceedings to be taken by the Trustee under the Indenture, provided that such direction shall not be otherwise than in accordance with law or the provisions of the Indenture, and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to holders of the Bonds not parties to the direction. In the event that inconsistent or conflicting directions are received by the Trustee from more than one group of holders of the Bonds, then the directions received from those holders owning the largest principal amount of outstanding Bonds shall control. The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with this paragraph.

No holder shall have any right to institute any suit, action or other proceeding under the Trust Indenture, or for the protection or enforcement of any right created by the Indenture unless (i) such holder shall have given to the Trustee written notice of the Event of Default or breach of duty on account of which such suit, action or proceeding is to be taken, (ii) such holder shall have directed the Trustee in accordance with the provisions of the Indenture to exercise the powers granted in the Indenture or granted under the law or to institute such action, suit or proceeding in its name, (iii) there shall have been offered to the Trustee security and indemnity meeting the requirements of the Indenture against the fees, costs, expenses and liabilities to be incurred, and (iv) the Trustee shall have refused or neglected to comply with such request. Such request and offer of indemnity are in every such case, at the option of the Trustee, to be conditions precedent to the execution of the powers under the Indenture, and all proceedings shall

be instituted, had and maintained in the manner provided in the Indenture and for the benefit of all holders of the Bonds.

Each holder by his or her acceptance of a Bond shall be deemed to have agreed that any court in its discretion may require, in any suit for the enforcement of any right or remedy created by the Indenture or any supplemental resolution, or in any suit against the Trustee for any action taken or omitted by it as Trustee, the filing by any party litigant in such suit of an undertaking to pay the reasonable costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees, against any party litigant bringing any such suit, having due regard to the merits and good faith of the claims made by such party litigant; but the provisions of this paragraph shall not apply to any suit instituted by the Trustee, to any suit instituted by any holder, or group of holders, of at least 20% in principal amount of the outstanding Bonds in default, or to any suit instituted by any holder for the enforcement of the payment of the principal or redemption price of or interest on any Bond on or after the due date expressed in that Bond.

### **Supplemental Indentures**

The Issuer and the Trustee may enter into Indentures supplemental to the Indenture, without the consent of the holders, (i) to cure any ambiguity or formal defect or omission in the Indenture; (ii) to grant to or confer upon the Trustee, with its consent for the benefit of the Bondholders, any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Bondholders or the Trustee; (iii) to grant or pledge any additional security to the Trustee for the benefit of the Bondholders; (iv) to modify, amend or supplement the Indenture or any indenture supplemental thereto in such manner as to permit the qualification hereof under the Indenture Act of 1939 or any similar federal statute then in effect or to permit the qualification of the Bonds for sale under the securities laws of any of the states of the United States; (v) to make any change requested by a rating agency necessary to obtain, maintain or improve the rating on the Bonds; or (vi) to make any other change which, in the judgment of the Trustee acting in reliance upon an opinion of counsel, is not to the prejudice of the Trustee or the Bondholders.

Exclusive of supplemental indentures described in the preceding paragraph, holders of not less than a majority of the principal amount of outstanding Bonds shall have the right to consent to and approve the execution by the Issuer and the Trustee of other supplemental indentures; provided, however, that no supplement indenture shall permit (i) an extension of the maturity of the principal of or the interest on any Bonds, (ii) a reduction in the principal amount of any Bonds or the rate of interest thereon, (iii) a privilege or priority of any Bond or Bonds over any other Bond or Bonds, or (iv) amendment of Article IX of the Indenture (Supplemental Indentures) or Article X of the Indenture (Amendment of Lease and Mortgage).

### **Defeasance**

When all principal of, and interest on, the Bonds have been paid or provision has been made for such payment and if all obligations owing to the Issuer and the Trustee have been discharged as required by the Indenture, the Indenture shall be discharged upon performance by the Trustee of its final duties under the Indenture and the Trustee shall execute and deliver to the Issuer such evidences of discharge and satisfaction as may be appropriate in form satisfactory to the Issuer, and shall assign and deliver to the Issuer or such other person as shall be entitled to receive the same, all property then in its possession except cash or securities held for payment of principal of or interest on the Bonds.

The principal of and interest on the Bonds shall, prior to the maturity or redemption date thereof, be deemed to have been paid within the meaning and with the effect expressed in Section 204 of the Indenture if (i) there shall have been deposited with the Trustee either sufficient moneys, or Government Obligations which do not permit the prepayment thereof at the option of the issuer (herein called "Permissible Securities") the principal of and interest on which when due and without any reinvestment thereof will provide moneys sufficient, to pay when due the principal of and interest due and to become due on the Bonds on and prior to the redemption date or maturity date thereof, as the case may be, and (ii) in the event the Bonds are not by their terms subject to redemption within the next succeeding 30 days, the Issuer shall have given the Trustee, in form satisfactory to the Trustee, irrevocable instructions to mail by registered or certified mail, a notice to the Bondholders that the deposit required by clause (i) above has been made with the Trustee and that the Bonds are deemed to have been paid in accordance with Section 204 of the Indenture and stating such maturity or redemption date upon which moneys are to be available for the

payment of the principal of and interest on the Bonds. Neither Permissible Securities nor moneys deposited with the Trustee pursuant hereto nor principal or interest payments on any such securities shall be withdrawn or used for any purpose other than, and all of the same shall be held in trust for, the payment of the principal of and interest on the Bonds; provided, however, that any cash received from such principal and interest payments on such Permissible Securities deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable, be reinvested in Permissible Securities maturing at times and in amounts sufficient to pay when due the principal of and interest to become due on the Bonds on and prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestment shall be paid over to the Issuer, as received by the Trustee, free and clear of any trust, lien or pledge.

The discharge or assignment of lien by the Trustee pursuant to Section 204 of the Indenture shall not affect the obligation of the Trustee to hold moneys on deposit in the Bond Fund of the Indenture in exchange for which Bonds have not been presented as provided in Section 109 of the Indenture.

### **Investments**

Money held for credit of the Bond Fund and the Project Maintenance Fund shall be invested by the Trustee in the Permitted Investments. The following investments are the "Permitted Investments": (a) obligations of the United States. (b) obligations, the principal of and interest of which are guaranteed by the United States government; (c) interest bearing time deposits consisting of commercial accounts, certificates of deposit, or depository receipts issued by a bank, trust company, savings and loan association, savings bank, a credit union or other financial institution whose deposits are, as appropriate, insured by the Federal Deposit Insurance Corporation or the National Credit Union Administration or any successor entity; and (d) other investments which may from time to time be permitted by law.

All investments must mature not later than such times as are estimated to be necessary to provide moneys when needed for payments to be made from the funds.

### **SUMMARY OF THE MORTGAGE**

Under the Mortgage, the Issuer has granted to the Trustee a mortgage and security interest, subject to permitted encumbrances, in the Project together with any substitutions or replacements (to the extent required under the Lease) and any proceeds therefrom, to secure the repayment of the Bonds. The Mortgage requires the Issuer to keep the Project in good repair and to make replacements thereto as and when necessary, to maintain insurance, pay applicable taxes, and keep the collateral free of liens except certain permitted encumbrances.

As additional security to assure Issuer's ability to repay the Bonds and make all payments required by the Indenture, under the Mortgage the Issuer assigns to the Trustee all rents, income and profits of the Project, including the Rental and Additional Payments (as defined in the Indenture), and all present and future leases, including the Lease and any other leases, together with the right to enforce the leases, to take possession of the Project, and to collect the rents and profits. Rentals for any leases of the Project are to be paid directly to the Trustee without regard to whether the Issuer is in default under the Mortgage.

The Trustee is permitted to enforce the terms and conditions of the Mortgage in the event of cancellation of the Lease or an occurrence of an Event of Default under the Indenture.

**NO REPRESENTATIONS OR ASSURANCES ARE GIVEN REGARDING THE VALUE OF THE PROJECT OR THE ABILITY OF THE TRUSTEE TO LEASE THE PROJECT IN THE EVENT IT DETERMINES TO FORECLOSE ON THE PROJECT UNDER THE MORTGAGE.**



### APPENDIX III

#### DRAFT FORM OF APPROVING OPINION

August 30, 2022

The Economic Development Corporation of the City of Flint  
County of Genesee  
State of Michigan

We have acted as bond counsel to The Economic Development Corporation of the City of Flint, County of Genesee, State of Michigan (the “Issuer”) in connection with the issuance by the Issuer of bonds in the aggregate principal sum of \$6,710,000, designated as the Issuer’s Limited Obligation Revenue Refunding Bonds, Series 2022 (State of Michigan Department of Health and Human Services Office Building Project) (the “Bonds”). In such capacity, we have examined such law and the transcript of proceedings relating to the issuance of the Bonds and such other proceedings, certifications and documents as we have deemed necessary to render this opinion. Capitalized terms used but not otherwise defined herein shall have the meanings assigned to them in the Indenture (defined below).

The Bonds are in fully-registered form, bearing original issue date of August 30, 2022, payable as to principal and interest as provided in the Bonds, and are subject to redemption prior to maturity, at the times and at the prices specified in the Bonds.

The Bonds are issued pursuant to Act 338, Public Acts of Michigan 1974, as amended (“Act 338”), a bond authorizing resolution adopted by the Issuer on June 14, 2022 (the “Resolution”), and a Trust Indenture, dated as of August 1, 2022 (the “Indenture”), between the Issuer and U.S. Bank Trust Company, National Association, as trustee (the “Trustee”). The proceeds of the Bonds will be used refund the issuer’s Limited Obligation Revenue Bonds, Series 2011 (State of Michigan Department of Human Services Office Building Project), dated December 21, 2011 (the “Prior Bonds”) and to pay costs incidental to the issuance of the Bonds and refunding the Prior Bonds. The Issuer will continue to lease the Project to the State of Michigan acting by the Department of Technology, Management and Budget for the Department of Health and Human Services (the “Lessee”) under State Lease #11428-2009 between MIG Investments, LLC and the State as subsequently assigned to the Issuer as Lessor pursuant to the Limited Assignment of Lease, and amended by Addendum #1 to State Lease #11428-2009, dated December 21, 2011 and by Addendum #2 to State Lease #11428-2009, dated August 30, 2022 (collectively, the “Lease”). Pursuant to the Indenture, the Issuer has pledged to the Trustee the Lease and all payments of the Rental (as defined in the Indenture), a mortgage executed by the Issuer in favor of the Trustee with respect to the Project, and certain other revenues, funds and accounts as specified in the Indenture (collectively, the “Security”) as security for the Bonds.

As to questions of fact material to our opinion, we have relied upon representations of the Issuer contained in the Indenture, and the certified proceedings and other certifications of public officials and others furnished to us. In our review of documents we have examined we have assumed due authorization, execution and delivery by the parties thereto other than the Issuer.

Based upon the foregoing, we are of the opinion that, under existing law:

1. The Issuer is a body corporate validly existing under the laws of the State of Michigan with full power and authority to enter into and perform its obligations under the Indenture and to issue the Bonds.
2. The Resolution has been duly adopted by the Issuer and is in full force and effect. The Indenture has been duly authorized, executed and delivered by the Issuer and, assuming due authorization, execution and delivery by the parties thereto other than the Issuer (as to which no opinion is expressed), is the valid and legally binding obligation of the Issuer enforceable in accordance with its terms.

3. The Indenture pledges the Security to the Trustee, and pursuant to Act 338, the lien of such pledge is valid and binding as against parties having claims of any kind in tort, contract or otherwise against the Issuer, irrespective of whether such parties have notice.

4. The Bonds have been duly authorized, executed and issued in accordance with Act 338 and the Indenture and are valid and legally binding limited obligations of the Issuer, payable solely from the Security. The Bonds and the interest thereon do not constitute a debt of the Lessee or the City of Flint, County of Genesee, State of Michigan (the "City") or a general obligation of the Issuer or a pledge of the faith and credit of the Lessee, the City or the Issuer and do not directly or indirectly obligate the Lessee or the City to levy or pledge any form of taxation whatsoever therefor. The Issuer has no taxing power.

5. The interest on the Bonds (a) is excludable from gross income for federal income tax purposes and (b) is not an item of tax preference for purposes of the federal individual alternative minimum tax imposed on individuals and corporations; however, interest on the Bonds held by an "applicable corporation" (as defined in Section 59(k) of the Internal Revenue Code of 1986, as amended (the "Code")) is included in annual "adjusted financial statement income" for purposes of calculating the alternative minimum tax imposed on an applicable corporation for tax years beginning after December 31, 2022. The opinion set forth in clause (a) above is subject to the condition that the Issuer and the Lessee comply with all requirements of the Code, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be (or continue to be) excludable from gross income for federal income tax purposes. These requirements may 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 Lessee and the Issuer have each covenanted to comply with all such requirements.

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

Except as stated in paragraphs 5 and 6 above, we express no opinion regarding other federal or state tax consequences arising with respect to the Bonds and the interest thereon.

The foregoing opinions are qualified to the extent that the enforceability of the rights and remedies set forth in the Indenture and the Bonds may be limited by bankruptcy, insolvency, fraudulent conveyance or other laws affecting creditors' rights generally, now existing or hereafter enacted, and by the application of general principles of equity, including those relating to equitable subordination, and their enforcement may be subject to the exercise of judicial discretion in appropriate cases.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

Respectfully submitted,

**DYKEMA GOSSETT PLLC**

## APPENDIX IV

\$6,710,000

The Economic Development Corporation of the City of Flint  
Limited Obligation Revenue Refunding Bonds, Series 2022  
(State of Michigan Department of Health and Human Services Office Building Project)

### CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (the “Undertaking”) is executed and delivered by The Economic Development Corporation of the City of Flint (the “Issuer”) in connection with the issuance of the Issuer’s \$6,710,000 Limited Obligation Revenue Refunding Bonds, Series 2022 (State of Michigan Department of Health and Human Services Office Building Project) dated as of August 30, 2022 (the “Bonds”). The Issuer hereby covenants and agrees for the benefit of the Bondholders (as hereinafter defined), as follows:

(a) *Definitions.* The following terms used herein shall have the following meanings:

“Bondholders” shall mean the registered owner of any Bond or any person (a) with the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bond (including any person holding a Bond through a nominee, depository or other intermediary) or (b) treated as the owner of any Bond for federal income tax purposes.

“EMMA” shall mean the MSRB’s Electronic Municipal Market Access System, or such other system, Internet Web site, or repository hereafter prescribed by the MSRB for the submission of electronic filings pursuant to the Rule.

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

“MSRB” means the Municipal Securities Rulemaking Board.

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

“SEC” means the United States Securities and Exchange Commission.

“Undertaking” means this Continuing Disclosure Undertaking.

(b) *Occurrence of Events.* The Issuer shall provide or cause to be provided to the MSRB through EMMA, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of ten business days after the occurrence of the event, notice of the occurrence of any of the following events listed in (b)(5)(i)(C) of the Rule with respect to the Bonds:

- (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 Bonds, or other material events affecting the tax status of the Bonds;

- (7) modifications to rights of holders of the Bonds, if material;
- (8) bond calls, if material, and tender offers;
- (9) defeasances;
- (10) release, substitution, or sale of property securing repayment of the Bonds, if material;
- (11) rating changes;
- (12) bankruptcy, insolvency, receivership or similar event of the Issuer, which is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer;
- (13) the consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (14) appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (15) incurrence of a Financial Obligation of the Issuer or obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Issuer or obligated person, any of which affect security holders, if material; or
- (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the Financial Obligation of the Issuer or obligated person, any of which reflect financial difficulties.

(c) *Materiality Determined Under Federal Securities Laws.* The Issuer agrees that its determination of whether any event listed in subsection (b) is material shall be made in accordance with federal securities laws.

(d) *Identifying Information.* All documents provided to the MSRB through EMMA shall be accompanied by the identifying information prescribed by the MSRB.

(e) *Termination of Reporting Obligation.* The Issuer reserves the right to terminate its obligation to provide notices of material events, as set forth above, if and when the Issuer is no longer an “obligated person” with respect to the Bonds within the meaning of the Rule, including upon legal defeasance of all Bonds.

(f) *Benefit of Bondholders.* The Issuer agrees that its undertaking pursuant to the Rule set forth in this Undertaking is intended to be for the benefit of the Bondholders and shall be enforceable by any Bondholder; provided that, the right to enforce the provisions of this Undertaking shall be limited to a right to obtain specific enforcement of the Issuer’s obligations hereunder and any failure by the Issuer to comply with the provisions of this Undertaking shall not constitute a default or an event of default with respect to the Bonds.

(g) *Amendments to the Undertaking.* Amendments may be made in the specific types of information provided or the format of the presentation of such information to the extent deemed necessary or appropriate in the judgment of the Issuer, provided that the Issuer agrees that any such amendment will be adopted procedurally and substantively in a manner consistent with the Rule, including any interpretations thereof by the SEC, which, to the extent applicable, are incorporated herein by reference. Such interpretations currently include the requirements that (a) the amendment may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the Issuer or the type of activities conducted thereby, (b) the undertaking, as amended, would have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, and (c) the amendment does not materially impair the interests of Bondholders, as determined by parties unaffiliated with the Issuer (such as independent legal counsel), but such interpretations may be changed in the future.

IN WITNESS WHEREOF, the Issuer has caused this Undertaking to be executed by its authorized officer.

THE ECONOMIC DEVELOPMENT CORPORATION  
OF THE CITY OF FLINT

By \_\_\_\_\_

Dated: August 30, 2022

## CONTINUING DISCLOSURE AGREEMENT

\$6,710,000

THE ECONOMIC DEVELOPMENT CORPORATION OF THE CITY OF FLINT  
Limited Obligation Revenue Refunding Bonds, Series 2022  
(State of Michigan Department of Health and Human Services Office Building Project)

This Continuing Disclosure Agreement (the “Disclosure Agreement”) is executed and delivered by the State of Michigan (the “State”) in connection with the issuance of The Economic Development Corporation of the City of Flint’s (the “Issuer”) Limited Obligation Revenue Refunding Bonds, Series 2022 (State of Michigan Department of Health and Human Services Office Building Project) (the “Bonds”) in the principal amount of \$6,710,000. The Bonds are being issued pursuant to a resolution adopted by the Issuer on June 14, 2022 (the “Resolution”) and a trust indenture (the “Indenture”) dated as of August 1, 2022 between the Issuer and U.S. Bank Trust Company, National Association. The State covenants and agrees as follows:

### Section 1. Purpose of the Disclosure Agreement.

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

(b) In consideration of the purchase and acceptance of any and all of the Bonds by those who shall hold the same or shall own beneficial ownership interests therein from time to time, this Disclosure Agreement shall be deemed to be and shall constitute a contract between the State and the Bondholders and Beneficial Owners from time to time of the Bonds, and the covenants and agreements herein set forth to be performed on behalf of the State shall be for the benefit of the Bondholders and Beneficial Owners of any and all of the Bonds.

### Section 2. Definitions.

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

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

“Beneficial Owner” shall mean any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including any person holding Bonds through nominees, depositories or other intermediaries).

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

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

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

“Financial Obligation” means “financial obligation” as such term is defined in the Rule.

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

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

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

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

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

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

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

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

Section 3. Provision of Annual Reports.

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

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

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

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

Section 4. Content of Annual Reports.

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

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

(b) updated financial information and operating data regarding the State, including information and data regarding State and State-related indebtedness, major funds of the State, State revenues and expenditures, employee relations, unemployment compensation and retirement funds, but excluding information in the official statement relating to the Bonds specifically indicated not to be the subject of annual reporting.

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

Section 5. Reporting of Significant Events.

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

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security or other material events affecting the tax status of the security;
- (7) Modifications to rights of security holders, if material;
- (8) Bond calls, if material;
- (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;
- (15) Appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (16) Incurrence of a Financial Obligation of the State, if material, or agreement to covenants, events of default, remedies, priority of rights, or other similar terms of a Financial Obligation of the State or obligated person, any of which affect security holders, if material; and
- (17) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the State, any of which reflect financial difficulties.

(b) Whenever the State obtains knowledge of the occurrence of a Listed Event described in subsection (a)(2), (7), (8), (10), (14), (15) or (16), the State Treasurer on behalf of the State shall as soon as possible determine if such event would be material under applicable federal securities laws. The State covenants that its determination of materiality will be made in conformance with federal securities laws.

(c) If the State Treasurer on behalf of the State determines that (i) a Listed Event described in subsection (a)(1), (3), (4), (5), (6), (9), (11), (12), (13) or (17) has occurred or (ii) the occurrence of a Listed Event described in subsection (a)(2), (7), (8), (10), (14), (15) or (16) would be material under applicable federal securities laws, the State shall cause a notice of such occurrence to be filed with the MSRB within ten (10) business days of the occurrence of the Listed Event. In connection with providing a notice of the occurrence of a Listed Event described in subsection (a)(9), the State Treasurer on behalf of the State shall include in the notice explicit disclosure as to whether the Bonds have been escrowed to maturity or escrowed to call, as well as appropriate disclosure of the timing of maturity or call.

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

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

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

#### Section 6. Termination of Reporting Obligation.

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

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

deemed to be inapplicable to the Bonds, as shall be specified in such opinion, and (ii) delivers notice to such effect to the MSRB.

Section 7. Dissemination Agent.

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

Section 8. Amendment; Waiver.

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

(i) if the amendment or waiver relates to the provisions of Section 3(a), (b), (c), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, a change in law or a change in the identity, nature or status of the State, or type of activities in which the State is engaged;

(ii) this Disclosure Agreement, as so amended or taking into account such waiver, would, in the opinion of Securities Counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(iii) the amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Bondholders.

Section 9. Additional Information.

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

Section 10. Failure To Comply.

In the event of a failure of the State or the Dissemination Agent (if other than the State) to comply with any provision of this Disclosure Agreement, any Bondholder or Beneficial Owner may 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 this Disclosure Agreement. A failure of the State to comply with its covenants under this Disclosure Agreement shall not be deemed a default with respect to the Bonds or under the Indenture or the Lease, and the sole remedy under this Disclosure Agreement in the event of any failure of the State to comply with its covenants under this Disclosure Agreement shall be an action to compel performance. Notwithstanding the foregoing, if the alleged failure of the State to comply with this Disclosure Agreement is the inadequacy of the information disclosed pursuant to this 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 25% in the aggregate principal amount of the then Outstanding Bonds must take the actions described above, before the State shall be compelled to perform with respect to the adequacy of such information disclosed pursuant to this Disclosure Agreement.

Section 11. Duties of Dissemination Agent.

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

Section 12. Beneficiaries.

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

Section 13. Transmission of Information and Notices.

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

Section 14. Mandatory Electronic Filing with EMMA.

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

Section 15. Additional Disclosure Obligations.

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

Section 16. Governing Law.

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

Date: August 30, 2022

STATE OF MICHIGAN

By: \_\_\_\_\_

**EXHIBIT A**

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

Name of Issuer: The Economic Development Corporation of the City of Flint  
Name of Bond Issue: \$6,710,000 Limited Obligation Revenue Refunding Bonds, Series 2022 (State of Michigan Department of Health and Human Services Office Building Project)  
Date of Issuance: August 30, 2022

The State has not provided an Annual Report with respect to the above-named Bonds as required by Section 3 of the Continuing Disclosure Agreement provided by the State of Michigan on August 30, 2022. The State anticipates that the Annual Report will be filed by \_\_\_\_\_.

STATE OF MICHIGAN

By: \_\_\_\_\_

Dated: \_\_\_\_\_

Its: \_\_\_\_\_





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