

NEW ISSUE

Rating: See inside cover page and “Rating” herein

In the opinion of Bond Counsel and the Attorney General of the State of Michigan, (a) subject to compliance with certain covenants, under existing law, interest on the Series 2019A Bonds (as defined below) is excluded from gross income for federal income tax purposes except as described under “TAX MATTERS” herein, (b) the Series 2019A and the Series 2019B Bonds (as defined below) and the interest on and income from the Series Bonds (as defined below) are exempt from all taxation of the State of Michigan or any subdivision thereof, except for estate taxes and taxes on gains realized from the sale, payment or other disposition thereof, and (c) interest on the Series 2019B Bonds is not excluded from gross income under Section 103 of the Internal Revenue Code of 1986, amended. See “TAX MATTERS.”

\$13,270,000

MICHIGAN FINANCE AUTHORITY

\$6,475,000

**LOCAL GOVERNMENT LOAN PROGRAM
REVENUE REFUNDING BONDS, SERIES 2019A
(TAX-EXEMPT)**

\$6,795,000

**LOCAL GOVERNMENT LOAN PROGRAM
REVENUE REFUNDING BONDS, SERIES 2019B
(FEDERALLY TAXABLE)**

Dated: Date of Delivery

Due as shown on inside cover page

The Local Government Loan Program Revenue Refunding Bonds, Series 2019A (Tax-Exempt) (the “**Series 2019A Bonds**”) and the Local Government Loan Program Revenue Refunding Bonds, Series 2019B (Federally Taxable) (the “**Series 2019B Bonds**”) and, collectively with the Series 2019A Bonds, the “**Series Bonds**”) will be issued by the Michigan Finance Authority (the “**Authority**”) in fully registered form in denominations of \$5,000 or any integral multiple thereof and will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York, which will act as securities depository for the Series Bonds. Bondowners will not receive certificates representing their ownership interest in the Series Bonds purchased. See “THE SERIES BONDS - Book-Entry-Only System.” Interest on the Series Bonds will be payable semiannually on May 1 and November 1, commencing November 1, 2019. The Series Bonds are subject to redemption prior to maturity as described herein.

The Series Bonds are subject to optional redemption as provided herein. See “THE SERIES BONDS - Optional Redemption” and “THE SERIES BONDS – Make-Whole Optional Redemption of the Series 2019B Bonds.” The Series 2019B Bonds are subject to Mandatory Redemption as provided herein. See “THE SERIES BONDS - Mandatory Redemption.”

The Series Bonds described below are being issued under the Resolution of the Authority to refund certain outstanding indebtedness of the Authority, refinance or modify Municipal Obligations issued by a certain political subdivision of the State of Michigan (the “**Governmental Unit**”), and to pay the costs of issuance. The Governmental Unit will use or has used proceeds of the Municipal Obligations for the purposes described herein, including the financing and refinancing of public improvements and other municipal purposes.

The Series Bonds are limited obligations of the Authority. The Series Bonds shall be issued as the Type: Revenue Sharing Bonds. The Series Bonds of this Type are separately secured from Bonds of other Types and are payable solely from the revenues pledged therefor, including payments on the Municipal Obligations corresponding to such Type and the moneys on deposit in funds and accounts corresponding to such Type held by the applicable Depository and Trustee under the Resolution. The Depository and Trustee for the Series Bonds identified above is U.S. Bank National Association. The Series Bonds will be equally and ratably secured with Bonds of the same Type under the Resolution regardless of the date when issued. The Series Bonds shall not be in any way a debt or liability of the State of Michigan or of any political subdivision thereof and shall not create or constitute any indebtedness, liability or obligation of the State of Michigan or of any political subdivision thereof or be or constitute a pledge of the full faith and credit or the taxing power of the State of Michigan or of any political subdivision thereof. The Authority has no taxing power.

The Series Bonds are offered when, as and if issued and received by the Underwriter, subject to approval of legality by the Attorney General of the State of Michigan, and by Bond Counsel, Dickinson Wright PLLC, Lansing, Michigan. Certain legal matters will be passed upon by Dykema Gossett PLLC, Lansing, Michigan, counsel to the Underwriter. It is expected that the Series Bonds described above will be ready for delivery in New York, New York on or about July 9, 2019.

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 decision.

J.P. Morgan

The Series Bonds mature on the dates, in the years and in the amounts set forth in the tables below.

\$6,475,000
MICHIGAN FINANCE AUTHORITY
Local Government Loan Program Revenue Refunding Bonds, Series 2019A (Tax-Exempt)

Revenue Sharing Bonds
Rating: S&P Global Ratings: AA-

November 1 Maturity	Principal Amount	Interest Rate	Purchase Price	CUSIP[†]
2019	\$400,000	5.000%	101.063%	59447TVF7
2020	340,000	5.000	104.391	59447TVG5
2021	355,000	5.000	107.516	59447TVH3
2022	375,000	5.000	110.544	59447TVJ9
2023	395,000	5.000	113.481	59447TVK6
2024	415,000	5.000	116.136	59447TVL4
2025	440,000	5.000	118.352	59447TVM2
2026	460,000	5.000	120.308	59447TVN0
2027	480,000	5.000	121.837	59447TVP5
2028	510,000	5.000	123.076	59447TVQ3
2029	535,000	5.000	122.997 ^c	59447TVR1
2030	560,000	5.000	121.823 ^c	59447TVS9
2031	590,000	5.000	121.144 ^c	59447TVT7
2032	620,000	5.000	120.565 ^c	59447TVU4

^c – Priced to the May 1, 2029 call date.

\$6,795,000
MICHIGAN FINANCE AUTHORITY
Local Government Loan Program Revenue Refunding Bonds, Series 2019B (Federally Taxable)

Revenue Sharing Bonds
Rating: S&P Global Ratings: AA-

\$5,325,000 Serial Bonds

November 1 Maturity	Principal Amount	Interest Rate	Purchase Price	CUSIP[†]
2019	\$350,000	2.360%	100.000%	59447TVV2
2020	325,000	2.380	100.000	59447TVW0
2021	335,000	2.410	100.000	59447TVX8
2022	340,000	2.450	100.000	59447TVY6
2023	345,000	2.550	100.000	59447TVZ3
2024	355,000	2.600	100.000	59447TWA7
2025	370,000	2.720	100.000	59447TWB5
2026	375,000	2.820	100.000	59447TWC3
2027	390,000	2.960	100.000	59447TWD1
2028	400,000	3.010	100.000	59447TWE9
2029	415,000	3.110	100.000	59447TWF6
2030	425,000	3.210	100.000	59447TWG4
2031	440,000	3.310	100.000	59447TWH2
2032	460,000	3.410	100.000	59447TWH8

\$1,470,000 3.560% Term Bonds due November 1, 2035 – Price: 100.000%, CUSIP[†]: 59447TWK5

[†] Copyright, American Bankers Association. CUSIP data herein is provided by Standard and Poor's CUSIP Service Bureau, a division of the McGraw Hill Companies, Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP service. CUSIP numbers are provided for reference only. Neither the Authority, the Trustee nor the Underwriter take any responsibility for the accuracy of such numbers.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICES OF THE SERIES BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE UNDERWRITER MAY OFFER AND SELL THE SERIES BONDS TO CERTAIN DEALERS AND DEALER BANKS ACTING AS AGENT AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE COVER OF THIS OFFICIAL STATEMENT. SUCH PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

No dealer, broker, salesperson or other person has been authorized by the Michigan Finance Authority (the “*Authority*”) or the Underwriter to make any representation other than as contained in this Official Statement and, if given or made, such other information or representation must not be relied upon as having been authorized by the Authority or the Underwriter. The information set forth in this Official Statement has been obtained from the Authority, the State of Michigan (the “*State*”), The Depository Trust Company (“*DTC*”), the City of Flint, Michigan, the Underwriter and other sources that are deemed to be reliable, but as to information from sources other than themselves, is not to be construed as a representation by the Authority, the State, DTC, or the Underwriter respectively. 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. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor the sale of the Series Bonds shall under any circumstances create any implication that there has been no change in the affairs of the Authority, the State or DTC since the date of this Official Statement. None of the information contained in this Official Statement has been supplied or verified by the Depository or the Trustee, and the Depository and the Trustee make no representations, warranties or guarantee as to the accuracy or completeness of any information in this Official Statement.

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 Series Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. This Official Statement is not to be construed as a contract or agreement between the Authority and the purchasers or holders of any of the Series Bonds.

IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE AUTHORITY 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.

Certain statements contained in this Official Statement reflect not historical facts but forecasts and “forward-looking statements.” In this respect, the words “estimate,” “project,” “anticipate,” “expect,” “intend,” “believe,” and similar expressions are intended to identify forward-looking statements. The achievement of certain results or other expectations contained in such forward-looking statements involves known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. All projections, forecasts, assumptions, expressions of opinions, estimates, and other forward-looking statements are expressly qualified in their entirety by the foregoing and the other cautionary statements set forth in this Official Statement.

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OFFICIAL STATEMENT

Relating to

\$13,270,000

MICHIGAN FINANCE AUTHORITY

\$6,475,000

LOCAL GOVERNMENT LOAN PROGRAM
REVENUE REFUNDING BONDS, SERIES 2019A
(TAX-EXEMPT)

\$6,795,000

LOCAL GOVERNMENT LOAN PROGRAM
REVENUE REFUNDING BONDS, SERIES 2019B
(FEDERALLY TAXABLE)

This Official Statement (including the cover pages and appendices hereto) is being distributed in order to furnish information in connection with the sale of the Series Bonds (defined below) of the Michigan Finance Authority (the “*Authority*”). The Series Bonds are issued in accordance with Executive Order 2010-2, Act 227 of the Michigan Public Acts of 1985, as amended (the “*Act*”) and pursuant to the Authority’s Amended and Restated Resolution Establishing Michigan Finance Authority Local Government Loan Program and Providing for the Issuance of Local Government Loan Program Revenue Bonds, Bond Resolution No. 2014-07, adopted by the Authority on May 15, 2014, as amended, including by a Supplemental Resolution of the Authority adopted on April 23, 2019 (collectively, the “*Resolution*”). Bonds issued under the Resolution are generally referred to herein as “Bonds.” The Resolution authorizes the issuance and sale of Bonds, including pursuant to supplemental resolutions and supplemental indentures, in any one or more of several Types. Separate Series will be so designated in such supplemental resolutions and supplemental indentures. Bonds of each Type are separately secured but all Bonds of the same Type, regardless of their original issue date, are equally and ratably secured under the Resolution. The particular Bonds being sold at this time are Bonds designated as Local Government Loan Program Revenue Refunding Bonds, Series 2019A (Tax-Exempt) (the “*Series 2019A Bonds*”), in the aggregate principal amount of \$6,475,000 and Local Government Loan Program Revenue Refunding Bonds, Series 2019B (Federally Taxable) (the “*Series 2019B Bonds*” and, collectively with the Series 2019A Bonds, the “*Series Bonds*”), in the aggregate principal amount of \$6,795,000 issued pursuant to the Resolution and of the Type “Revenue Sharing Bonds” (the “*Revenue Sharing Bonds*”).

Capitalized terms used in this Official Statement that are not otherwise defined herein have the meanings set forth in “APPENDIX I - SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION” attached hereto.

INTRODUCTORY STATEMENT

Pursuant to the Act, the Authority’s Local Government Loan Program has been established for the purpose of making loans to political subdivisions of the State of Michigan (the “*State*”) for financing public improvements and for other municipal purposes. The Authority accomplishes this purpose by purchasing municipal obligations (each a “*Municipal Obligation*” and, collectively, the “*Municipal Obligations*”) issued by counties, cities, townships, villages, school districts, community colleges, public universities, authorities, districts or other political subdivisions of the State (each a “*Governmental Unit*” and, collectively, the “*Governmental Units*”).

Pursuant to the Resolution, proceeds of the Series Bonds, after payment of Costs of Issuance, will be used by the Authority to refund certain outstanding indebtedness under the Resolution and to refinance or modify one or more Municipal Obligations issued by a Governmental Unit. The Governmental Unit will use or has used the proceeds of the Municipal Obligations to finance or refinance public improvements and for other municipal purposes, as described herein under the caption

“AUTHORIZATION FOR AND PURPOSES OF THE SERIES BONDS -- The Local Government Loan Program.” See “SOURCES OF PAYMENT FOR THE MUNICIPAL OBLIGATIONS” herein.

Pursuant to the Resolution, the Bonds of any Series may consist of the following “Types” of Bonds:

- AMBAC Insured Bonds;
- Local Project Bonds (so designated from time to time
by an Authorized Officer of the Authority as one or more Types);
- MBIA Insured Revenue Sharing Bonds;
- Qualified School Bonds;
- Revenue Sharing Bonds[†];
- School Program Bonds;
- State Qualified School Bonds; and
- Transportation Fund Bonds.

Each Type of Bond is separately secured under the Resolution. Each Type of Bond may be used to acquire Municipal Obligations of the types described under “AUTHORIZATION FOR AND PURPOSES OF THE SERIES BONDS – The Local Government Loan Program” herein. The Authority expects in the future to issue Bonds of the various Types described in this Official Statement.

The Series Bonds are payable solely from the revenues pledged therefor, including Loan Repayments on Municipal Obligations corresponding to the Bonds of such Type. See “SOURCES OF PAYMENT FOR THE SERIES BONDS” herein. The Series Bonds are not in any way a debt or liability of the State and do not constitute a pledge of the faith and credit or taxing power of the State.

U.S. Bank National Association, with corporate trust offices located in Lansing, Michigan, has been appointed to act as Trustee, Depository and Bond Registrar and Paying Agent under the Resolution with respect to the Series Bonds issued as Revenue Sharing Bonds.

The following are summary descriptions of and information regarding, among other things, the Authority, the authorization for and purpose of the Series Bonds and the Authority’s Local Government Loan Program, the Series Bonds and Municipal Obligations, the sources of payment for the Series Bonds and the Municipal Obligations and the tax status of the Series Bonds. A summary of certain provisions of the Resolution is contained in Appendix I attached hereto. Such descriptions and information do not purport to be comprehensive and the descriptions of documents herein are qualified in their entirety by reference to such documents and to laws and principles of equity relating to creditors’ rights.

Copies of the Resolution and other documents are available for inspection at the corporate trust office of the Trustee.

THE AUTHORITY

Powers and Duties

The Authority is an autonomous public body corporate and politic, separate and distinct from the State, created by Executive Order No. 2010-2 issued by the Governor on March 4, 2010 (the “*Executive Order*”) and effective by its terms on May 30, 2010. Under the Executive Order, among other things, the Authority is the successor to the Michigan Municipal Bond Authority, which was created by statute in 1985 for the purposes of fostering and promoting the borrowing of money by governmental units within the State for financing public improvements and for other municipal purposes. In order to effectuate such

[†] Bonds of this Type are being offered hereunder.

purposes, the Authority is authorized to issue its bonds or notes and to make money available to governmental units by the purchase of their municipal obligations.

In addition to the Series Bonds, the Authority (including its various predecessor authorities under the Executive Order) has outstanding, and the Authority expects to issue in the future, short and long term obligations under other Authority programs and pursuant to the Resolution. The Security for the Series Bonds does not serve as security for the Authority's other program obligations.

Under the Executive Order, the Authority is within the State Department of Treasury but exercises its powers, duties and functions independently of the State Treasurer (except for the State Treasurer's appointment of administrative staff and exercise of certain administrative functions related to staff, pursuant to the Governor's Executive Order 2002-12). The Authority's address is Richard H. Austin State Office Building, 430 West Allegan Street, Lansing, Michigan 48922, and its telephone number is (517) 335-0994.

Membership

The Authority is governed by a board of directors (the "**Board**"). The State Treasurer serves as the Chairperson of the Board. The Authority is authorized to employ an Executive Director, legal and technical experts and other officers, agents or employees, permanent or temporary.

The members of the Board are appointed by the Governor of the State with the advice and consent of the State Senate. The members serve for various terms and continue to serve until successors are appointed and file the oath of office.

The members of the Board are:

Rachael Eubanks, Chairperson	State Treasurer
Bill Beekman	Vice President and Director of Athletics, Michigan State University
Luke Forrest	Executive Director, Community Economic Development Association of Michigan
Anna E. Heaton	Vice President of Marketing & Communications, Business Leaders for Michigan
Timothy Hoffman	Retired Director of Regulatory Affairs, Consumers Energy
Travis Jones	Executive Vice-President and CFO, GreenStone Farm Credit Services
Murray D. Wikol	President and CEO, ProVisions

The Resolution provides that the covenants, stipulations, promises, agreements and obligations of the Authority contained in the Resolution are those of the Authority and not of any member of the Board or any officer or employee of the Authority in his or her individual capacity and that no recourse shall be had for the payment of the principal of or interest on the Series Bonds or for any claim based thereon or on the Resolution against any member of the Board, any officer or employee of the Authority or any person executing the Series Bonds.

The Executive Director of the Authority is Deborah M. Roberts.

The Series Bonds shall constitute limited obligations of the Authority payable by the Authority solely through revenues, properties or other funds as provided by the Resolution, and neither the Series Bonds nor any obligation of the Authority under or arising out of the Resolution shall, under any

circumstances, constitute or give rise to a debt or indebtedness of the Authority within the meaning of any provision or limitation of the Constitution or laws of the State or constitute or give rise to a charge against its general credit. Neither the State nor any political subdivision of the State shall in any event be liable for the payment of the principal of, premium, if any, or interest on the Series Bonds, or for the performance of any pledge, obligation or agreement of any kind whatsoever which may have been undertaken by the Authority in the Resolution, the Series Bonds or otherwise, and neither the Series Bonds nor any such agreements or obligations of the Authority shall be construed to constitute an indebtedness or obligation of the State or any other political subdivision of the State within the meaning of any constitutional or statutory provision whatsoever. The Authority has no taxing power.

AUTHORIZATION FOR AND PURPOSES OF THE SERIES BONDS

The Act

The Series Bonds are being issued to assist Governmental Units in the orderly financing of public improvements and for other municipal purposes at reduced rates of interest or on more favorable terms than might otherwise be obtained by the Governmental Units. The Authority accomplishes this by purchasing the Municipal Obligations issued by Governmental Units. See “THE AUTHORITY” and “AUTHORIZATION FOR AND PURPOSES OF THE SERIES BONDS – The Local Government Loan Program” herein. Qualifying Governmental Units include the State of Michigan, Michigan counties, cities, townships, villages, school districts, intermediate school districts, community colleges, public universities, authorities, districts or any other bodies corporate and politic or other political subdivisions, any agency or instrumentality of the foregoing, certain group self-insurance pools, certain Indian Tribes and certain water suppliers of the State.

The Local Government Loan Program

The Resolution authorizes the Authority to purchase the following types of Municipal Obligations from Governmental Units:

- AMBAC Insurance Program Municipal Obligations;
- Local Project Municipal Obligations (each a different Type);
- MBIA Insurance Program Revenue Sharing Municipal Obligations;
- Revenue Sharing Municipal Obligations;
- School Program Municipal Obligations;
- State Qualified School Municipal Obligations; and
- Transportation Fund Municipal Obligations.

In order to finance and refinance capital projects undertaken by Governmental Units and for other lawful purposes, the Authority, on the date of delivery of each Series of Bonds, will use the proceeds of each such Type of Bond in that Series to purchase one or more Municipal Obligations, which will be issued by the Governmental Units on such date, or to refund outstanding indebtedness of the Authority issued to purchase or refinance the purchase of Municipal Obligations, subject to the satisfaction of certain eligibility requirements of the Authority relating to the sources of payment for Municipal Obligations and described under “SOURCES OF PAYMENT FOR THE MUNICIPAL OBLIGATIONS” and, with respect to any Type of Bond for which an insurance policy is obtained by the Authority, subject to the approval of the insurer. The remainder of the proceeds of the Bonds of such Series will be used to pay Costs of Issuance.

With respect to each separately designated Type of Bond, scheduled Loan Repayments to be collected in connection with Municipal Obligations corresponding to such Type, in amounts and at rates sufficient to provide funds which, when combined with Loan Repayments to be collected in connection with other Municipal Obligations corresponding to such Type, the amounts available from the account of the Reserve Fund corresponding to such Type, if any, any amounts transferred to the account of the

Revenue Fund corresponding to such Type, to provide for payment of capitalized interest on Bonds of such Type and all investment income required by the respective Resolution to be transferred to such account of the Revenue Fund, as estimated by the Authority (and with respect to any Type of Bond for which an insurance policy is obtained by the Authority, such estimate has not been objected to in writing by the insurer) will be sufficient to pay, when due, the principal of and interest on the Bonds of such Type, and all other costs and expenses of the Authority incurred directly or indirectly in connection with the issuance, carrying and repaying of the Bonds of such Type and the purchasing of corresponding Municipal Obligations. Each Municipal Obligation will be in Fully Marketable Form and will be delivered to the Authority together with any Collateral Documents and such other information, certificates, opinions and instruments as the Authority may require at a closing to be scheduled as soon as practicable after approval of the application of the Governmental Units.

THE REFUNDING PLAN

A portion of the proceeds of the Series Bonds is being used to refund outstanding indebtedness of the Authority issued to purchase or refinance the purchase of Municipal Obligations previously purchased by the Authority and to provide for the defeasance of the related Authority Bonds (the “*Bonds To Be Refunded*”) as set forth in APPENDIX VI – THE BONDS TO BE REFUNDED.

From the net proceeds of the Series Bonds together with other available funds, the Authority, pursuant to an Escrow Agreement, will transfer to U.S. Bank National Association (the “*Escrow Trustee*”) an amount that, when invested as provided therein, will provide for the timely payment of the principal of, premium, if any, and interest on the Bonds To Be Refunded to and including their redemption dates as shown in Appendix VI, and direct the Escrow Trustee to redeem the Bonds To Be Refunded on such dates.

THE SERIES BONDS

General

The Series Bonds will consist of Revenue Sharing Bonds and will be used to refund certain outstanding indebtedness of the Authority and refinance or modify Revenue Sharing Municipal Obligations and to pay the Costs of Issuance. The Series Bonds described in this Official Statement will mature on the dates and in the principal amounts set forth on the inside cover page of this Official Statement. The Series Bonds will bear interest from their dated date of delivery until maturity or prior redemption, payable as indicated on the cover of the Official Statement. See “APPENDIX I - SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION,” attached hereto. The Series Bonds will be issued as fully registered bonds in denominations of \$5,000 and integral multiples thereof.

Book-Entry-Only System

The information in this section “Book-Entry-Only System” has been furnished by The Depository Trust Company (“DTC”). No representation is made by the Authority, the State, the Trustee 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 Authority, the State, the Trustee or the Underwriter to determine whether DTC is or will be financially or otherwise capable of fulfilling its obligations. Neither the Authority, the State nor the Trustee will have any responsibility or obligation to DTC Direct Participants, Indirect Participants (both as defined below) or the persons for which they act as nominees with respect to the Series Bonds, or for any principal, premium, if any, or interest payment thereof.

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

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

DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("**Indirect Participants**"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory

requirements as may be in effect from time to time. Beneficial Owners of the Series Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Series Bonds may wish to ascertain that the nominee holding the Series Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners.

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

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

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

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

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

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Authority believes to be reliable, but the Authority takes no responsibility for the accuracy thereof.

Replacement Bonds

In the event that the book-entry-only system is discontinued, the Trustee will authenticate and make available for delivery replacement Series Bonds in the form of fully registered bond certificates. In addition, the following provisions would apply: a) principal of and redemption premium, if any, on the Series Bonds will be payable in lawful money of the United States of America at the corporate trust office of the Trustee or such other office as may be designated by the Authority; b) interest on the Series Bonds will be payable by check or draft mailed to the registered owners thereof or, upon five days written notice to the Bond Registrar and Paying Agent given by a Registered Owner of a Series Bond or Series Bonds in an aggregate principal amount of at least \$100,000, by wire transfer of funds to a bank account in the

United States designated by such Registered Owner; and c) interest on the Series Bonds will be payable by check or draft to the Registered Owners whose names appear on the registration books of the Bond Registrar and Paying Agent as of the close of business on the fifteenth day of the calendar month immediately preceding the applicable interest payment date, all as provided more particularly in the Resolution.

Estimated Sources and Uses of Funds

	Series 2019A Bonds	Series 2019B Bonds	Total
SOURCES:			
Par Amount of Series Bonds	\$6,475,000.00	\$6,795,000.00	\$13,270,000.00
Original Issue Premium	1,099,783.70	-	1,099,783.70
Total Sources	<u>\$7,574,783.70</u>	<u>\$6,795,000.00</u>	<u>\$14,369,783.70</u>
USES:			
Deposit to Escrow Account	\$7,405,562.28	\$6,617,864.87	\$14,023,427.15
Costs of Issuance and Miscellaneous Expenses	112,205.31	117,301.24	229,506.55
Underwriter's Discount	57,016.11	59,833.89	116,850.00
Total Uses	<u>\$7,574,783.70</u>	<u>\$6,795,000.00</u>	<u>\$14,369,783.70</u>

Optional Redemption

The Series Bonds maturing in the years 2019 through 2028, inclusive, shall not be subject to optional redemption prior to maturity. The Series Bonds, or portions of the Series Bonds in multiples of \$5,000 maturing or subject to Mandatory Redemption in the years 2029 through 2035, inclusive, shall be subject to redemption at the option of the Authority in such order of maturity as the Governmental Unit shall determine and within a single maturity by lot on any date on or after May 1, 2029 at par plus accrued interest to the date fixed for redemption.

Make-Whole Optional Redemption of the Series 2019B Bonds

The Series 2019B Bonds of each maturity are subject to redemption at the option of the Authority in whole or in part pro-rata at any time prior to May 1, 2029 at the Redemption Price that is the greater of (A) 100% of the principal amount of the Series 2019B Bonds to be redeemed and (B) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of the Series 2019B Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which the Series 2019B Bonds are to be redeemed, discounted to the date on which the Series 2019B Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate (as defined below) plus 25 basis points, plus, in each case, accrued and unpaid interest on the Series 2019B Bonds to be redeemed to but not including the redemption date.

“*Treasury Rate*” means, with respect to any redemption date for any particular Series 2019B Bond, the greater of:

(i) the yield to maturity as of such redemption date of the United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two business days prior to the redemption date (excluding inflation indexed securities) (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the redemption date to maturity; provided, however, that if the period from the redemption date to maturity is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a

constant maturity of one year will be used; all as will be determined by an independent accounting firm, investment banking firm or financial advisor retained by the State at the State's expense and such determination shall be conclusive and binding on the owners of the Series 2019B Bonds, or

(ii) the rate per annum, expressed as a percentage of the principal amount, equal to the semiannual equivalent yield to maturity or interpolated maturity of the Comparable Treasury Issue (defined below), assuming that the Comparable Treasury Issue is purchased on the redemption date for a price equal to the Comparable Treasury Price (defined below), as calculated by the Designated Investment Banker (defined below).

“Comparable Treasury Issue” means, with respect to any redemption date for a particular Series 2019B Bond, the United States Treasury security or securities selected by the Designated Investment Banker that has an actual or interpolated maturity comparable to the remaining average life of the Series 2019B Bond to be redeemed.

“Comparable Treasury Price” means, with respect to any redemption date for a particular Series 2019B Bond, (i) if the Designated Investment Banker receives at least four Reference Treasury Dealer Quotations (defined below), the average of such quotations for such redemption date, after excluding the highest and lowest Reference Treasury Dealer Quotations, or (ii) if the Designated Investment Banker obtains fewer than four Reference Treasury Dealer Quotations, the average of all such quotations.

“Designated Investment Banker” means one of the Reference Treasury Dealers (as defined below) appointed by the Authority.

“Reference Treasury Dealer” means each of the four firms, specified by the Authority from time to time, that are primary United States government securities dealers in the City of New York (each a ***“Primary Treasury Dealer”***); provided, however, that if any of them ceases to be a Primary Treasury Dealer, the Authority will substitute another Primary Treasury Dealer.

“Reference Treasury Dealer Quotations” means, with respect to each Reference Treasury Dealer and any redemption date for a particular Series 2019B Bond, the average, as determined by the Designated Investment Banker, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Designated Investment Banker by such Reference Treasury Dealer at 3:30 P.M., New York City time, on the third business day preceding such redemption date.

The redemption price of such Series 2019B Bonds to be redeemed will be determined by an independent accounting firm, investment banking firm or financial advisor retained by the Authority to calculate such redemption price. The Authority may conclusively rely on the determination of such redemption price by such independent accounting firm, investment banking firm or financial advisor and will not be liable for such reliance.

Mandatory Redemption

The Series 2019B Bonds maturing on November 1, 2035 are term bonds, subject to mandatory redemption (the “*Term Bonds*”), on the redemption dates and in the principal amounts set forth below at a redemption price equal to the principal amount thereof, without premium, together with interest thereon to the redemption dates.

Series 2019B Term Bond due November 1, 2035

<u>Redemption Dates</u>	<u>Principal Amount</u>
November 1, 2033	\$475,000
November 1, 2034	490,000
November 1, 2035 [†]	505,000

[†] Maturity

The principal amounts of the Term Bonds to be redeemed in each year as set forth in the preceding table may be reduced through the earlier purchase or optional redemption thereof by the Authority, with any partial purchase or optional redemptions of such Term Bonds credited against such future sinking fund requirements as the Authority shall determine.

Redemption Procedures

Notice of Redemption

Under the Resolution, the Bond Registrar and Paying Agent will mail, by first class mail, as specified in the Resolution, a notice of redemption to the Holders of the Series Bonds to be redeemed at least thirty (30) and not more than sixty (60) days prior to the redemption date. If any optional redemption is to be made under the Resolution with funds that the Authority expects to receive between the time of the giving of such notice and the redemption date, the notice will expressly condition such redemption on timely receipt of such funds. The failure of any Bondholder to receive any such notice or any defect in such notice with respect to any Series Bond or portion thereof will not affect the validity of any proceedings for the redemption of any Series Bonds.

Selection of Bonds to be Redeemed

When Series Bonds are to be redeemed in part, the Authority shall specify to the Bond Registrar and Paying Agent the Series designation, maturity, Type and Original Issue Date of the Series Bonds from which Bonds or portions of Series Bonds to be redeemed shall be selected. Subject to the Authority’s specification, the particular Series Bonds or portions of Series Bonds to be redeemed will be selected by the Bond Registrar and Paying Agent by lot or in such other manner as the Bond Registrar and Paying Agent in its discretion may deem fair, provided that (i) if only a portion of any Series Bond is to be redeemed, the principal amount of the portion remaining Outstanding will be equal to \$5,000 or an integral multiple of \$5,000 and (ii) in selecting Series Bonds for redemption, the Bond Registrar and Paying Agent will treat each Series Bond as representing that number of Series Bonds that is obtained by dividing the principal amount of such Series Bond by \$5,000.

SOURCES OF PAYMENT FOR THE SERIES BONDS

The Series Bonds shall not be in any way a debt or liability of the State or any political subdivision thereof and shall not create or constitute any indebtedness, liability or obligations of the State or any political subdivision thereof, or be or constitute a pledge of the full faith and credit or the taxing power of the State or any political subdivision thereof. The Authority has no taxing power. The Series Bonds are limited obligations of the Authority, payable by the Authority solely from the revenues pledged therefor, including the Municipal Obligations issued to the Authority, as

described herein, and the funds and accounts held by the applicable Depository and Trustee under the Resolution.

Pledge of Municipal Obligations

Pursuant to the Resolution, the Authority will pledge and assign to the Trustee, for the benefit of all Holders of the Bonds of each Type, (i) all of the Authority's rights and interest in the Municipal Obligations and the Collateral Documents pertaining to such Type under the Resolution, subject to reservation by the Authority of rights to indemnification and to make all determinations and approvals and receive all notices accorded to it under the Municipal Obligations and Collateral Documents, (ii) all moneys in the Revenue Fund established for the Bonds of such Type under the Resolution, and (iii) all of the proceeds of the foregoing, including without limitation investments thereof and interest and earnings thereon.

The pledge made to the Trustee under the Resolution with respect to the Bonds of each Type is for the equal and ratable benefit of all of the Holders of the Bonds of such Type, and no Holder of any Bond will have priority over any other Holder of Bonds of the same Type or any exclusive right to receive any amounts allocable to Loan Repayments on a particular Municipal Obligation by virtue of the fact that proceeds of such Bond have been used to purchase such Municipal Obligation.

Loan Repayments for all Municipal Obligations pertaining to each Type of Bond are scheduled at such times and in such amounts as will provide sufficient amounts, when combined with capitalized interest and other funds available for use by the Authority, to make timely payments of interest on and principal of the Bonds of such Type.

Information on Individual Governmental Units

All of the Revenue Sharing Municipal Obligations to be purchased with the proceeds of the Series Bonds satisfy certain program eligibility requirements of the Authority relating solely to the sources of payment for the Municipal Obligations to be purchased and described under "SOURCES OF PAYMENT FOR THE MUNICIPAL OBLIGATIONS." However, a certain Governmental Unit issuing or having issued Revenue Sharing Municipal Obligations currently meets the definition of Material Obligated Person (See Appendix III), and so information is presented in this Official Statement with respect to such Governmental Unit's ability to pay the principal of and interest on its Revenue Sharing Municipal Obligations from sources other than the sources of payment described under "SOURCES OF PAYMENT FOR THE MUNICIPAL OBLIGATIONS" herein. The information contained in Appendix V has been furnished by the City of Flint, Michigan. No representation is made by the Authority, the State, the Trustee 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.

Reserve Accounts for Bonds of Certain Types

No Reserve Account has been established for the Revenue Sharing Bonds.

ADDITIONAL BONDS

Pursuant to the Resolution, additional Series of Bonds comprised of Bonds of each Type may be issued from time to time under supplemental resolutions. Notwithstanding the dates upon which particular Bonds of any Type are issued, all of the Bonds of each Type will be equally and ratably secured under the Resolution, and no holder of any Bond will have priority over any other holders of the Bonds of the same Type. The Authority expects to issue additional Bonds under the Resolution in the future.

THE MUNICIPAL OBLIGATIONS

Revenue Sharing Municipal Obligations

Revenue Sharing Municipal Obligations may be issued by incorporated cities, villages and townships of the State, and by local building authorities, downtown development authorities and tax increment finance authorities organized by such municipalities, in accordance with statutes authorizing the issuance of bonds, notes or other obligations by such Governmental Units.

The payment of principal of and interest on Revenue Sharing Municipal Obligations will be provided in accordance with the laws authorizing their issuance. In addition, Governmental Units issuing Revenue Sharing Municipal Obligations will pledge Distributable Aid pursuant to the State Revenue Sharing Act to the payment of such Municipal Obligations, to the extent authorized by the Act. Each such Governmental Unit effects its Distributable Aid pledge by entering into a Revenue Sharing Pledge Agreement with the Authority.

See the “Legislative Changes Regarding Distributable Aid” subheading under “SOURCES OF PAYMENT FOR THE MUNICIPAL OBLIGATIONS—Revenue Sharing Municipal Obligations” for information regarding legislation which affects the amounts and types of Distributable Aid that Government Units may receive in the future.

SOURCES OF PAYMENT FOR THE MUNICIPAL OBLIGATIONS

Revenue Sharing Municipal Obligations

Distributable Aid Pledge

In addition to any other source of payment required by the borrowing statutes under which the Revenue Sharing Municipal Obligations may be issued, and to the extent authorized by the Act, Governmental Units will pledge Distributable Aid to the payment of Revenue Sharing Municipal Obligations pursuant to the State Revenue Sharing Act.

To effectuate the pledge of Distributable Aid to the Authority, the Resolution requires the Authority to enter into a Revenue Sharing Pledge Agreement with the Governmental Units when the Municipal Obligation is issued. Pursuant to the Revenue Sharing Pledge Agreement, if five days before any Loan Repayment becomes due, the Governmental Unit does not have moneys sufficient to make each Loan Repayment on deposit with the Authority (or its designated depository), then notwithstanding the payment dates otherwise prescribed for revenue sharing payments to the Governmental Unit, the State Treasurer will pay to the Authority an amount sufficient to make such Loan Repayment, up to the total amount of appropriated and unpaid Distributable Aid allocable to the Governmental Unit. If any such initial payment by the State Treasurer is insufficient to remedy the failure of the Governmental Unit to make a Loan Repayment, the State Treasurer will continue to pay over to the Authority all subsequently available Distributable Aid which the Governmental Unit would otherwise be entitled to receive until all overdue Loan Repayment Obligations have been satisfied. Any such payment by the State Treasurer which is made before the date such payment would otherwise be payable to the Governmental Unit will be deemed an advance to the Governmental Unit, as provided in the State Revenue Sharing Act. Nothing in the Revenue Sharing Pledge Agreement constitutes or creates any indebtedness of the State and the Agreement does not require the State to make an appropriation for any Governmental Unit.

Under the Resolution, the Authority may not purchase a Revenue Sharing Municipal Obligation from any Governmental Unit unless the average Distributable Aid Ratio and Distributable Sales Tax Ratio for such Governmental Unit during the two preceding annual distribution periods pursuant to the State Revenue Sharing Act equals or exceeds 2.0 and 1.5, respectively. The Resolution defines Distributable Aid Ratio to mean, with respect to any Governmental Unit and annual distribution period, the ratio of the amount of all payments of Distributable Aid that the Governmental Unit is eligible to

receive in such annual period, to the estimated maximum annual principal and interest requirements for the Municipal Obligation. The Resolution defines Distributable Sales Tax Ratio to mean, with respect to the Governmental Unit and annual distribution period, the ratio of the amount of all payments of State sales tax revenues that the Governmental Unit is eligible to receive under the State Revenue Sharing Act in such annual period to the estimated maximum annual principal and interest requirements for the Revenue Sharing Municipal Obligations.

The Revenue Sharing Pledge Agreement allows Governmental Units to make additional pledges of Distributable Aid to the extent that (1) the amount of Distributable Aid received by the Governmental Unit in the fiscal year of the State preceding the issuance of such bonds or notes or other obligations equals or exceeds the amount required in each year to pay the sum of (i) an amount equal to 2.0 times the principal and interest for the Municipal Obligation, and (ii) the principal and interest on any additional bonds or notes or other obligations for which Distributable Aid has been pledged, and (2) the amount of Distributable Aid composed of sales tax revenues received by the Governmental Unit in the fiscal year of the State preceding the issuance of such bonds or notes or other obligations equals or exceeds the amount required in each year to pay the sum of (i) an amount equal to 1.5 times the principal and interest for the Municipal Obligations and (ii) the principal and interest on any additional bonds or notes or other obligations for which Distributable Aid has been pledged.

Although local building authorities, tax increment finance authorities, downtown development authorities and local development finance authorities do not receive Distributable Aid from the State, the Resolution permits the Authority to purchase Revenue Sharing Municipal Obligations from such an authority if the municipality that incorporated or established such authority (i) enters into a Revenue Sharing Pledge Agreement with the Authority, and (ii) meets the Distributable Aid Ratio and Distributable Sales Tax Ratio requirements described above.

The State Revenue Sharing Program

Historically, the State has shared revenue derived from various State taxes with cities, villages and townships. Pursuant to legislation enacted in 1996, the State distributes revenue from the State sales tax (See Table 2 and the narrative below). Distributions under the State Revenue Sharing Act constitute unrestricted local revenue that can be used for any legal purpose.

Distribution of Distributable Aid

Pursuant to 1970 Public Act 140, Distributable Aid payments shall be made to cities, villages and townships during each October, December, February, April, June and August based on collections from the sales tax at the rate of 4% in the 2-month period ending the prior August 31, October 31, December 31, February 28, April 30 and June 30. State law provides for the withholding of the Statutory Distribution component of Distributable Aid payments under certain conditions, one being a late or past due Annual Financial Report or audit, subject to the provisions of the Agreement to Deposit Distributable State Aid.

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Payments under the Revenue Sharing, Economic Vitality Incentive Program (“*EVIP*”), City, Village, and Township Revenue Sharing (“*CVTRS*”) Program, Supplemental City, Village, and Township Revenue Sharing, and County Incentive Program (“*CIP*”) to cities, villages, townships and counties for the State fiscal years ended September 30, 2010, through September 30, 2019, are set forth in Table 1.

TABLE 1
DISTRIBUTION OF STATE REVENUE SHARING PAYMENTS BY
TYPE OF LOCAL GOVERNMENT
Fiscal Years 2010-2019
(In millions of dollars)

Fiscal Years Ended September 30	<u>Cities</u>	<u>Villages</u>	<u>Townships</u>	<u>Counties</u>	<u>Total</u>
2010	\$625.4	\$22.2	\$291.3	\$ 55.3	\$ 994.2
2011	628.2	22.8	328.1	112.5	1,091.5
2012	547.0	22.7	347.6	115.0	1,032.2
2013	568.6	23.4	354.9	130.6	1,077.5
2014	587.3	24.1	363.4	145.8	1,120.6
2015	601.0	23.8	374.5	211.2	1,210.6
2016	600.7	23.9	374.2	214.7	1,213.4
2017	621.6	25.0	395.2	217.2	1,259.0
2018	635.8	25.8	407.4	220.1	1,289.1
2019 ⁽¹⁾	653.6	26.8	425.2	221.4	1,327.0

(1) Projected.

Amounts above include Constitutional, Statutory, EVIP, CVTRS, Supplemental CVTRS, County Revenue Sharing and CIP payments.

Individual amounts may not add to the totals due to rounding.

SOURCE: Michigan Department of Treasury, Office of Revenue & Tax Analysis. Amounts are calculated on a cash basis.

The sources of tax revenues for the State revenue sharing program for the fiscal years ended September 30, 2010, through September 30, 2019, are set forth in Table 2. A narrative description of each such revenue follows.

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TABLE 2
SOURCES OF STATE REVENUE SHARING DISTRIBUTIONS
Fiscal Years 2010 - 2019
(in millions of dollars)

Fiscal Years Ended Sept. 30	Total Distributions	Sales Tax Constitutionally Dedicated^(1,2) Distributions	Sales Tax Statutory Distributions	EVIP/ CVTRS CIP⁽⁴⁾	Gross Sales Tax Collections	Distributions From Other Sources^(1,3)
2010	\$ 994.2	\$629.2	\$365.0		\$6,176.8	\$0.0
2011	1,091.5	664.7	426.8		6,710.9	0.0
2012	1,032.2	707.5	115.0	\$209.7	6,955.2	0.0
2013	1,077.5	722.2	104.5	250.9	7,160.2	0.0
2014	1,120.6	739.1	116.6	264.9	7,362.6	0.0
2015	1,210.6	750.7	169.0	290.9	7,247.0	0.0
2016	1,213.4	750.0	171.8	291.7	7,299.6	0.0
2017	1,259.0	793.2	174.2	291.6	7,799.4	0.0
2018	1,289.1	814.2	176.9	298.0	8,078.0	0.0
2019 ⁽⁵⁾	1,327.0	850.6	178.2	298.2	8,298.7 ⁽⁵⁾	0.0

- (1) See text for a discussion of the provisions of revenue sharing portions of each tax source and for a discussion of recent changes.
- (2) Percentage of gross collections does not exactly equal 15% in any one fiscal year because payments lag beyond the end of the year. In addition, gross collections reflect the full 6% sales tax rate.
- (3) Includes Special Census and special grants funded by the general fund.
- (4) In fiscal year 2012, the statutory revenue sharing to cities, villages and townships was replaced by a program named the “Economic Vitality Incentive Program” (EVIP) which was renamed to the “City, Village, and Township Revenue Sharing (CVTRS) Program” in FY 2015. In fiscal year 2013, a portion of the statutory revenue sharing to counties was replaced by a new program named the “County Incentive Program” (CIP). In FY 2018, the legislature added the Supplemental CVTRS payments. EVIP, CVTRS, Supplemental CVTRS, and CIP payments are issued pursuant to the boilerplate in the Department of Treasury’s FY 2012 Appropriation Act (P.A. 107 of 2012, Section 402), the FY 2013 Appropriation Act (P.A. 200 of 2012, Section 952), the FY 2014 Appropriation Act (P.A. 34 of 2014, Section 808), the FY 2015 Appropriation Act (P.A. 252 of 2014, Section 952), the FY 2016 Appropriation Act (P.A. 84 of 2015, Section 952), the FY 2017 Appropriation Act (P.A. 268 of 2016, Section 952), the FY 2018 Appropriation Act (P.A. 107 of 2017, Section 952 and Section 957), the FY 2019 Appropriation Act (P.A. 207 of 2018, Section 957), and the FY 2019 Supplemental Appropriation Act (P.A. 618 of 2018, Section 901). County Revenue Sharing payments continue to be issued pursuant to the State Revenue Sharing Act.
- (5) Projected.

SOURCE: Michigan Department of Treasury, Office of Revenue & Tax Analysis. Amounts are calculated on a cash basis.

Distributable Aid - The Constitutional Component

The Constitutional Distribution is mandated by the State Constitution and distributed on a per capita basis to townships, cities and villages. It is not subject to reduction by the State Legislature. The State Constitution limits the rate of sales tax to 6% and mandates that 15% of the total Sales Tax Revenues collected from the sales taxes levied calculated at the rate of 4% be distributed on a per capita basis to townships, cities and villages as part of the State Revenue Sharing Program (the “**Constitutional Payment**”).

Adjustments to the Constitutional Distribution of Distributable Aid payments based upon any certified population changes would be effective October 1 of the year for which the respective census is conducted. Once the official population data from the federal decennial statewide census, federal mid-decade statewide census, or special statewide census provided by law is certified and published, subsequent payments of the Constitutional Distribution will be adjusted to correct for any overpayments or underpayments made to a township, city, or village. The Constitutional Distribution could also be reduced or otherwise adjusted pursuant to a constitutional amendment.

Distributable Aid – The Statutory Component

The second component of Distributable Aid is authorized by legislative action and distribution is subject to annual State appropriation by the State Legislature (the “**Statutory Distribution**”).

As of fiscal year 2015, the legislature established the City, Village, and Township Revenue Sharing (the “**CVTRS**”) program. Under the CVTRS program, each eligible local unit has to meet all of certain accountability and transparency requirements by December 1 of each year in order to receive all CVTRS payments, or by February 1, April 1, June 1, or August 1 – to receive incremental CVTRS payments yet to be paid for that fiscal year.

CVTRS requirements include production of a citizen’s guide of its most recent local finances, including a recognition of its unfunded liabilities; a performance dashboard; a debt service report containing a detailed listing of its debt service requirements, including, at a minimum, the issuance date, issuance amount, type of debt instrument, a listing of all revenues pledged to finance debt service by debt instrument, and a listing of the annual payment amounts until maturity; and a projected budget report, including, at a minimum, the current fiscal year and a projection for the immediately following fiscal year of revenues and expenditures and an explanation of the assumptions used for the projections. The municipality must make required documents available for public viewing in the city, village, or township clerk’s office or post them on a publicly accessible internet website.

For Fiscal Year 2018, cities, villages, and townships were eligible under the CVTRS program if they received a fiscal year 2010 statutory payment greater than \$4,500 or had a population greater than 7,500. For State fiscal year 2019, if a local unit’s fiscal year 2010 statutory payment was greater than \$1,000, they are eligible to receive a “**Percent Payment**” equal to 78.51044% of the local unit’s fiscal year 2010 statutory payment; and if a local unit’s population is greater than 7,500, the local unit is eligible to receive a “**Population Payment**” equal to the local unit’s population multiplied by \$2.648299. Local units that had a fiscal year 2010 statutory payment greater than \$4,500 for FY 2018 and \$1,000 for FY 2019 and have a population greater than 7,500 receive the greater of the “Percent Payment” or the “Population Payment”. For fiscal year 2018 and fiscal year 2019, the legislature appropriated a supplemental CVTRS payment to those cities, villages, and townships eligible to receive a payment under the CVTRS program. However, compliance with the CVTRS accountability and transparency requirements is not a prerequisite to receiving the supplemental CVTRS payment. The supplemental CVTRS payments to a city, village, or township was unrestricted revenue to the city, village, or township in fiscal year 2018; however, for fiscal year 2019 the legislature stipulated that the supplemental payments must be used to pay down debt, pension, or other postemployment benefit obligations, unless the local unit has no such obligations. The State Constitution provides that no appropriation shall be a

mandate to spend. The State Constitution further provides that the Governor, with the approval of the Legislature's appropriating committees, must 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. Consequently, the Statutory Distribution may be reduced or delayed by Executive Order of the Governor. State law also provides for the delay or withholding of the Statutory Distribution by the State Treasurer under certain conditions.

Limitation on Remedies of Holders of the Municipal Obligations

The rights and remedies of owners or holders of the Municipal Obligations and the enforceability of the Municipal Obligations, may be subject to and limited by bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance, or similar laws affecting the enforcement of creditors' rights generally heretofore or hereafter enacted to the extent constitutionally applicable, and by the application of general principles of equity including those relating to equitable subordination and the enforcement of such rights and remedies may also be subject to and limited by the exercise of judicial discretion in appropriate cases.

TAX MATTERS

Series 2019A Bonds

General. In the opinion of the Attorney General of the State of Michigan and Dickinson Wright PLLC, Bond Counsel, under existing law, the interest on the Series 2019A Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. The Attorney General and Bond Counsel are also of the opinion that, under existing law, the Series 2019A Bonds and the interest on and income from the Series 2019A Bonds are exempt from all taxation by the State of Michigan or a subdivision of the State of Michigan, except estate taxes and taxes on gains realized from the sale, payment or other disposition thereof. The Attorney General and Bond Counsel will express no opinion regarding any other federal or state tax consequences arising with respect to the Series 2019A Bonds and the interest thereon.

The opinions on state and federal tax matters is based on the accuracy of certain representations and certifications, and continuing compliance with certain covenants, of the Authority and the Governmental Units contained in the transcript of proceedings and which are intended to evidence and assure the foregoing, including that the Series 2019A Bonds are and will remain obligations the interest on which is excludable from gross income for federal income tax purposes. The Authority and the Governmental Units have covenanted to take the actions required of it for the interest on the Series 2019A 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 Attorney General's and Bond Counsel's opinions assume the accuracy of the Authority's and the Governmental Units' certifications and representations and the continuing compliance with the Authority's and the Governmental Units' covenants. Noncompliance with these covenants by the Authority or the Governmental Units may cause the interest on the Series 2019A Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Series 2019A Bonds. After the date of issuance of the Series 2019A Bonds, the Attorney General and 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 the Attorney General's and Bond Counsel's attention, may adversely affect the exclusion from gross income for federal income tax purposes of interest on the Series 2019A Bonds or the market prices of the Series 2019A Bonds.

The opinions of the Attorney General and Bond Counsel are based on current legal authority and cover certain matters not directly addressed by such authority. It represents the Attorney General's and Bond Counsel's legal judgment as to the excludability of interest on the Series 2019A Bonds from gross income for federal income tax purposes but is not a guarantee of that conclusion. The opinions are not binding on the Internal Revenue Service ("**IRS**") or any court. The Attorney General and Bond Counsel cannot give and have not given any opinions or assurance about the effect of future changes in the Internal Revenue Code of 1986, as amended (the "**Code**"), the applicable regulations, the interpretations thereof or the enforcement thereof by the IRS.

Ownership of the Series 2019A 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 Series 2019A Bonds. The Attorney General and Bond Counsel will express no opinion regarding any such consequences.

Tax Treatment of Accruals on Original Issue Discount Bonds. Under existing law, if the initial public offering price to the public (excluding bond houses and brokers) of a Series 2019A Bond is less than the stated redemption price of such Series 2019A Bonds at maturity, then such Series 2019A Bond is considered to have "original issue discount" equal to the difference between such initial offering price and the amount payable at maturity (such Series 2019A Bonds are referred to as "**OID Bonds**"). Such discount is treated as interest excludable from federal gross income to the extent properly allocable to each registered owner thereof. The original issue discount accrues over the term to maturity of each such OID Bonds 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 original issue discount 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 original issue discount in the case of purchasers of OID Bonds who purchase such OID Bonds after the initial offering of a substantial amount thereof. Owners who do not purchase such OID Bonds in the initial offering at the initial offering prices should consult their own tax advisors with respect to the tax consequences of ownership of such OID Bonds.

All holders of the OID Bonds should consult their own tax advisors with respect to the allowance of a deduction for any loss on a sale or other disposition of an OID Bond to the extent such loss is attributable to accrued original issue discount.

Amortizable Bond Premium. For federal income tax purposes, the excess of the initial offering price to the public (excluding bond houses and brokers) at which a Series 2019A Bond is sold over the amount payable at maturity thereof constitutes for the original purchasers of such Series 2019A Bonds (collectively, the "**Original Premium Bonds**") an amortizable bond premium. Series 2019A Bonds other than Original Premium Bonds may also be subject to an amortizable bond premium determined generally with regard to the taxpayer's basis (for purposes of determining loss on a sale or exchange) and the amount payable on maturity or, in certain cases, on an earlier call date (such bonds being referred to herein collectively with the Original Premium Bonds as the "**Premium Bonds**"). Such amortizable bond premium is not deductible from gross income. The amount of amortizable bond premium allocable to each taxable year is generally determined on the basis of the taxpayer's yield to maturity determined by using the taxpayer's basis (for purposes of determining loss on sale or exchange) of such Premium Bonds and compounding at the close of each six-month accrual period. The amount of amortizable bond premium allocable to each taxable year is deducted from the taxpayer's adjusted basis of such Premium

Bonds to determine taxable gain upon disposition (including sale, redemption or payment at maturity) of such Premium Bonds.

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

Market Discount. The “market discount rules” of the Code apply to the Series 2019A Bonds. Accordingly, holders acquiring their Series 2019A Bonds subsequent to the initial issuance of the Series 2019A 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 Series 2019A 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 Series 2019A 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 Series 2019A 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. 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 SERIES 2019A BONDS TO BE SUBJECT DIRECTLY OR INDIRECTLY TO FEDERAL OR STATE OF MICHIGAN INCOME TAXATION, ADVERSELY AFFECT THE MARKET PRICE OR MARKETABILITY OF THE SERIES 2019A 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 SERIES 2019A BONDS FOR AUDIT EXAMINATION, OR THE AUDIT PROCESS OR RESULT OF ANY EXAMINATION OF THE SERIES 2019A BONDS OR OTHER SERIES 2019A BONDS THAT PRESENT SIMILAR TAX ISSUES, WILL NOT ADVERSELY AFFECT THE MARKET PRICE OF THE SERIES 2019A BONDS.

INVESTORS SHOULD CONSULT WITH THEIR TAX ADVISORS AS TO THE TAX CONSEQUENCES OF THEIR ACQUISITION, HOLDING OR DISPOSITION OF THE SERIES 2019A BONDS AND THE TAX CONSEQUENCES OF THE ORIGINAL ISSUE DISCOUNT OR PREMIUM THEREON, IF ANY.

Series 2019B Bonds

Not Exempt from Federal Tax. In the opinion of the Attorney General of the State of Michigan and in the opinion of Dickinson Wright, PLLC, Bond Counsel, based on their examination of the documents described in their opinions, under existing law, the interest on the Series 2019B Bonds is **not excluded from** gross income for federal income tax purposes under Section 103 of the Code. The Attorney General and Bond Counsel will express no opinion regarding other federal tax consequences arising with respect other Series 2019B Bonds and the interest thereon.

Exempt from State Tax. In addition, in the opinion of the Attorney General of the State of Michigan and in the opinion of Dickinson Wright PLLC, Bond Counsel, based on their examination of the document described in their opinions, under existing law, the Series 2019B Bonds and the interest and income from the Series 2019B Bonds are exempt from all taxation of the State of Michigan or a subdivision thereof, except estate taxes and taxes on gains realized from the sale, payment or other disposition of the Series 2019B Bonds.

Certain Federal Tax Consequences. The following is a summary of certain U.S. federal income tax considerations generally applicable to the purchase, holding, and disposition of the Series 2019B Bonds by U.S. Holders. The discussion is limited to the tax consequences to initial owners of the Series 2019B Bond who purchase their Series 2019B Bonds in the initial offering at the issue price within the meaning of Section 1273 of the Code. This summary is based upon laws, regulations, rulings and judicial decisions now in effect and available on the date hereof, all of which are subject to change, possibly with retroactive effect. Prospective investors should note that no rulings have been or are expected to be sought from the IRS with respect to any of the U.S. federal income tax considerations discussed below, and no assurances can be given that the IRS will not take a contrary position.

This summary does not discuss all aspects of U.S. federal income taxation that may be relevant to investors, nor does this discussion address any state, local, foreign taxes, or federal estate or gift tax consequences. This summary is intended as a general explanatory discussion of the consequences of holding the Series 2019B Bonds generally and does not purport to furnish information in the level of detail or with the investor's specific tax circumstances that would be provided by an investor's own tax advisor. For example, except as explicitly provided below, it generally is addressed only to original purchasers of the Series 2019B Bonds that are "U.S. Holders" (as defined below), deals only with Series 2019B Bonds held as capital assets within the meaning of Section 1221 of the Code and does not address tax consequences to holders that may be relevant to investors subject to special rules, such as individuals, trusts, estates, tax-exempt investors, dealers in securities, currencies or commodities, banks, thrifts, insurance companies, electing large partnerships, mutual funds, regulated investment companies, real estate investment trusts, S corporations, persons that hold Series 2019B Bonds as part of a straddle, hedge, integrated or conversion transaction, and persons whose "functional currency" is not the U.S. dollar. In addition, this summary does not address alternative minimum tax issues or the indirect consequences to a holder of an equity interest in a holder of Series 2019B Bonds. This summary was prepared in connection with the offering of the Series 2019B Bonds. **Each prospective investor should consult with its own tax advisor regarding the application of United States federal income tax laws, as well as any state, local, foreign or other tax laws, to such investor's particular situation.**

As used herein, a "U.S. Holder" is a "U.S. person" that is a beneficial owner of a Series 2019B Bond. A "Non-U.S. Holder" is a holder (or beneficial owner) of a Series 2019B Bond that is not a U.S. Person. For these purposes, a "U.S. person" is a citizen or resident (including a "deemed" resident) of the United States, a corporation or partnership created or organized in or under the laws of the United States or any political subdivision thereof (except, in the case of a partnership, to the extent otherwise provided in Treasury regulations), an estate the income of which is subject to United States federal income taxation regardless of its source or a trust if (i) a United States court is able to exercise primary supervision over

the trust's administration and (ii) one or more United States persons have the authority to control all of the trust's substantial decisions.

Tax Consequences to U.S. Holders. Stated interest on the Series 2019B Bonds will be included as ordinary income of the U.S. Holder at the time such amounts are accrued or paid, in accordance with the U.S. Holder's method of accounting for U.S. federal income tax purposes.

Original Issue Discount. A Series 2019B Bond will be treated as issued with original issue discount ("OID") for U.S. federal income tax purposes if the stated principal amount of such Series 2019B Bonds exceeds its "issue price" by at least a specified de minimis amount (generally equal to 0.25% of the stated redemption price at maturity multiplied by the number of complete years to maturity). If a Series 2019B Bond is issued with OID, U.S. Holders, regardless of their regular method of tax accounting, will have to include the OID in gross income (as ordinary income) as it accrues (on a constant yield to maturity basis), prior to their receipt of the cash corresponding to such OID, which ordinarily will result in the inclusion of increasing amounts of OID in income in successive accrual periods.

Bond Premium. A holder of a Series 2019B Bond who purchase such Series 2019B Bond at a cost that exceeds the stated principal amount of such Series 2019B Bond will have amortizable bond premium equal to such excess. If the holder elects to amortize the bond premium, such election will apply to all Series 2019B Bonds held by the holder on the first day of the taxable year to which the election applies, and to all Series 2019B Bonds thereafter acquired by the holder. The premium must be amortized using constant yield principles based on the purchaser's yield to maturity. Amortizable bond premium is generally treated as an offset to interest income, but a reduction in basis is required for amortizable bond premium even though such premium is applied to reduce interest payments. Bond premium on a Series 2019B Bond held by a holder that has not elected to amortize bond premium will decrease the gain or loss otherwise recognized on the disposition of the Series 2019B Bond.

Sale and Exchange of Bonds; Defeasance. Upon a sale, exchange, redemption, or retirement of a Series 2019B Bond, a holder generally will recognize gain or loss on the Series 2019B Bonds equal to the difference between the amount realized on the sale and its adjusted tax basis in such Series 2019B Bond. Such gain or loss generally will be capital gain (although any gain attributable to accrued market discount of the Series 2019B Bond not yet taken into income will be ordinary) if the holder holds the Series 2019B Bond as a capital asset. The adjusted basis of the holder in a Series 2019B Bond (without OID) will (in general) equal its original purchase price and decreased by any payments received on the Series 2019B Bond. In general, if the Series 2019B Bond is held for longer than one year, any gain or loss would be long term capital gain or loss, and capital losses are subject to certain limitations.

Net Investment Income Tax. An additional 3.8% surtax will be imposed on all or a portion of the "net investment income," or "undistributed net investment income" of an estate or trust, (which includes interest, original issue discount and gains from a disposition of a Series 2019B Bond) of certain individuals, trusts and estates. The 3.8% net investment income tax is determined in a different manner than the regular income tax. Prospective investors in the Series 2019B Bonds should consult their tax advisors regarding this tax.

Backup Withholding. Payments on the Series 2019B Bonds will generally be subject to U.S. information reporting on any payment that is payable to a U.S. Holder, subject to certain exceptions, and may be subject to "backup withholding." Under Section 3406 of the Code and applicable Treasury Regulations, a non-corporate U.S. Holder of the Series 2019B Bonds may be subject to backup withholding with respect to "reportable payments," which include interest paid on the Series 2019B Bonds and the gross proceeds of a sale, exchange, redemption, retirement or other disposition of the Series 2019B Bonds. Amounts withheld under backup withholding rules may be refunded or credited

against the U.S. Holder's federal income tax liabilities (and possibly result in a refund), so long as certain required information is timely provided to the IRS. A holder's failure to comply with the backup withholding rules may result in the imposition of penalties by the IRS. U.S. Holders should consult their tax advisors concerning the application of information reporting and backup withholding rules.

Future Developments. NO ASSURANCE CAN BE GIVEN THAT ANY FUTURE LEGISLATION OR CLARIFICATIONS OR AMENDMENTS, IF ENACTED INTO LAW, WILL NOT CONTAIN PROPOSALS THAT COULD CAUSE THE INTEREST ON THE SERIES 2019B BONDS TO BE SUBJECT DIRECTLY OR INDIRECTLY TO STATE OF MICHIGAN INCOME TAXATION, ADVERSELY AFFECT THE MARKET PRICE OR MARKETABILITY OF THE SERIES 2019B BONDS, OR OTHERWISE PREVENT THE REGISTERED OWNERS FROM REALIZING THE FULL CURRENT BENEFIT OF THE STATUS OF THE INTEREST THEREON.

INVESTORS SHOULD CONSULT WITH THEIR TAX ADVISORS AS TO THE TAX CONSEQUENCES OF THEIR ACQUISITION, HOLDING OR DISPOSITION OF THE SERIES 2019B BONDS AND THE TAX CONSEQUENCES OF THE ORIGINAL ISSUE DISCOUNT OR PREMIUM THEREON, IF ANY.

LITIGATION

The Authority has not been served with any litigation, and to the best of the Authority's knowledge, there is no threatened litigation against the Authority seeking to restrain or enjoin the sale of the Series Bonds, affecting the security pledged therefor or questioning or affecting the validity of the proceedings or authority under which the Series Bonds were issued. Neither the creation, organization or existence of the Authority, nor the title of any of the present members or other officers of the Authority to their respective offices, is being contested. The Authority has not been served with any litigation and, to the best of the Authority's knowledge, there is no litigation threatened which in any manner questions the right of the Authority to adopt the Resolution or a supplemental resolution or to secure the Series Bonds in the manner provided in the Resolution and the Act.

LEGALITY OF SERIES BONDS FOR INVESTMENT AND DEPOSIT

Under the Act, the State, a public officer, a Governmental Unit and agencies of the State or Governmental Units, a bank, trust company, savings bank or institution, savings and loan association, investment company or other person carrying on a banking business, an insurance company, insurance association, or other person carrying on an insurance business and an executor, administrator, guardian, trustee or other fiduciary may legally invest a sinking fund, money, or other funds belonging to them or within their control in bonds or notes of the Authority issued under the Act. The Act also provides that the Authority's bonds and notes shall be authorized security for public deposits.

STATE NOT LIABLE ON SERIES BONDS

The Series Bonds are limited obligations of the Authority payable solely from the sources described herein and neither the faith and credit nor the taxing power of the State, any political subdivision thereof or the Authority is pledged to the payment of the principal or redemption price of, interest on, or the purchase price of the Series Bonds.

The sources of payment for the Series Bonds are limited to those provided by the Act, and the issuance of the Series Bonds is not directly or indirectly or contingently an obligation, moral or other, of the State, any political subdivision thereof or the Authority to levy or to pledge any form of taxation whatever therefor or to make any appropriation for their payment. The Authority has no taxing power.

CONTINUING DISCLOSURE UNDERTAKINGS

The Authority will covenant for the benefit of the Holders and the Beneficial Owners of the Series Bonds (as such terms are defined in the Continuing Disclosure Undertaking which the Authority expects to execute on or before the date of delivery of the Series Bonds (the “*Continuing Disclosure Undertaking*”), to provide certain financial information and operating data relating to the State and to cause “Material Obligated Persons” (as defined in the Continuing Disclosure Undertaking) to enter into an undertaking to disclose certain financial information and operating data relating to that Material Obligated Person, by not later than nine months following the end of the applicable fiscal year, commencing with the report for fiscal years ending on or after September 30, 2019 (the “*Annual Financial Information*”) and to provide notices of the occurrence of certain enumerated events, if material. The Continuing Disclosure Undertaking requires that the Annual Financial Information be filed with the Municipal Securities Rulemaking Board (“*MSRB*”) by electronic transmission through the Electronic Municipal Market Access (“*EMMA*”) Dataport of the MSRB. The Continuing Disclosure Undertaking also requires that notices of material events be filed by the Authority with the MSRB by electronic transmission through the EMMA Dataport. The specific nature of the information to be contained in the Annual Financial Information or the notices of material events is set forth in “APPENDIX III – 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 Undertaking, the provisions of the Continuing Disclosure Undertaking will create no rights in any other person or entity. The obligation of the Authority to comply with the provisions of the Continuing Disclosure Undertaking is enforceable by any Beneficial Owner of outstanding bonds issued under the Resolution (all as defined in the Continuing Disclosure Undertaking). The right to enforce the provisions of the Continuing Disclosure Undertaking is limited to a right, by action in mandamus or for specific performance, to compel performance of the Authority’s obligations under the Continuing Disclosure Undertaking. Any failure by the Authority to perform in accordance with the Continuing Disclosure Undertaking will not constitute a default or an Event of Default under the Resolution, and the rights and remedies provided by the Resolution upon the occurrence of a default or an Event of Default will not apply to any such failure.

One Governmental Unit presently qualifies as a Material Obligated Person with respect to the Authority’s Revenue Sharing Bonds. Certain financial and other information relating to the Material Obligated Person is attached hereto as “APPENDIX V – CERTAIN INFORMATION CONCERNING THE CITY OF FLINT, MICHIGAN.”

The following statement has been provided by the Governmental Unit that has qualified as a Material Obligated Person with respect to the Series Bonds:

Pursuant to its existing Continuing Disclosure Undertakings, the City of Flint has timely filed its audits and annual disclosure filings for its fiscal years ended June 30, 2014 through June 30, 2018, inclusive. However, the City of Flint’s annual disclosure filings for fiscal years ended June 30, 2014 through June 30, 2017 did not include required updates of information pertaining to “Per Capita Valuation,” “Tax Base Composition,” and “Tax Increment Authorities.” Further, the City of Flint’s audits for such years included updates of information regarding the funding status and funding progress of the City of Flint’s pension fund and other post-employment benefits, but such updated information was not provided separately on EMMA. All such historical information has since been filed on EMMA and such information for fiscal year end June 30, 2018 was incorporated into the City of Flint’s 2018 filing.

A failure by the Issuer or Local Unit to comply with its Undertaking must be reported by the Issuer or Local Unit 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 Series Bonds in the secondary market. Consequently, such failure may adversely affect the transferability and liquidity of the Series Bonds and their market price.

No representation is made by the Authority, the State, the Trustee or the Underwriter as to the completeness or accuracy of the information in the foregoing two (2) paragraphs or as to the absence of material adverse changes in such information subsequent to the date hereof.

Prior Continuing Disclosure Compliance by the Authority

To the best of the Authority's knowledge, except as noted below, in the past five years the Authority has not failed to comply with its continuing disclosure agreements with respect to any of its debt.

Certain corrective filings of financial information and operating data concerning the State were not made for the Authority's Local Government Loan Program Revenue Bonds, Series 2012B, Group A Revenue Sharing Bonds, its State Aid Revenue Notes, Series 2013C (School District of the City of Detroit), its State Aid Revenue Notes, Series 2015E (School District of the City of Detroit – Junior Subordinate Lien Obligations), and its State Aid Revenue Notes, Series 2015B (School District of the City of Detroit – Junior Subordinate Lien Obligations), because those obligations either had matured or had been defeased.

On October 4, 2017, the Authority filed together (i) notice with the MSRB through EMMA that, for certain years, for CUSIPS relating to the Authority's Local Government Loan Program Revenue Bonds, Series 2012D, and to its Revenue Bonds (Ypsilanti Community Schools), Series 2013, the Authority failed to file certain financial information and operating data concerning the State, which was otherwise available, and (ii) corrective filings to comply with the requirements for those years.

On October 4, 2017, the Authority filed together (i) notice with the MSRB through EMMA that, for CUSIPS relating to the Authority's Local Government Loan Program Revenue Bonds, Series 2009B, the Authority did not file notice of S&P's rating upgrade of Assured Guaranty, the insurer for those bonds, and (ii) a corrective filing.

On October 16, 2017, the Authority filed together (i) notice with the MSRB through EMMA that, although it did timely file information pursuant to an applicable continuing disclosure agreement, for certain CUSIPS relating to the Authority's Student Loan Revenue Refunding Bonds, Series 25-A, for years 2015 and 2016, the Authority did not provide the tables "Distribution of the Eligible Loans by Original Term", and "Distribution of the Eligible Loans by Original FICO Score", and (ii) corrective filings for 2015 and 2016. A portion of the information, as of 2015, relating to the table "Distribution of the Eligible Loans by Original FICO Score" was no longer available, and the 2015 filing notice refers, in part, to the 2016 filing, which contains complete and more recent and information.

On July 11, 2018, the Authority completed a corrective filing with the MSRB through EMMA that, for CUSIPS relating to the Authority's Unemployment Obligation Assessment Revenue Bonds, Series 2012A and 2012B, the Authority did not provide the tables "State Labor Force and Employment" and "State Unemployment Rates" with the 2017 filing.

On March 20, 2019, the Authority filed together (i) notice with the MSRB through EMMA that, for CUSIPS relating to the Authority's Local Government Loan Program Bonds, Series 2010D, 2011A, 2011D, 2011E, 2011F, 2012D, 2013A, and 2015E the Authority did not file notice of S&P's rating upgrade for Michigan State Credit Enhancement – Backed Debt, and (ii) a corrective filing.

On March 20, 2019, the Authority filed together (i) notice with the MSRB through EMMA that, for certain years, for CUSIPS relating to the Authority's Local Government Loan Program Bonds, Series 2010D, 2011A, 2011D, 2011E, 2011F, 2012B, 2012D, 2013A, and 2015E the Authority failed to file certain financial information and operating data concerning the State, which was otherwise available, and (ii) corrective filings to comply with the requirements for those years.

The Authority was obligated to file its financial information contained in its "Certain Financial Information and Operating Data Concerning the State of Michigan" annually for the benefit of holders of its State Aid Revenue Notes, Series 2013C (School District of the City of Detroit), its State Aid Revenue Notes, Series 2014E (School District of the City of Detroit) and its State Aid Revenue Notes, Series 2015E (School District of the City of Detroit – Junior Subordinate Lien Obligations), but did not do so. These obligations have matured or have otherwise been redeemed; therefore no corrective filings were completed.

LEGAL MATTERS

The legality of the authorization, sale and delivery of the Series Bonds is subject to the approval of the Attorney General of the State and of Bond Counsel, whose approving opinions, substantially in the form attached as Appendix II to this Official Statement, will be delivered upon the issuance of the Series Bonds. The fees to be received by the Bond Counsel in connection with the issuance of the Series Bonds will be paid from the proceeds of the Series Bonds and from investment earnings thereon.

Certain legal matters will be passed upon for the Underwriter by its counsel, Dykema Gossett PLLC, Lansing, Michigan.

RATING

S&P Global Ratings, a Division of The McGraw-Hill Companies, Inc. ("**S&P**") has assigned the rating set forth on the inside front cover page of this Official Statement upon delivery of the Series Bonds. S&P assigned a rating to the Revenue Sharing Bonds based on the underlying program requirements of the Revenue Sharing Bonds. Such rating reflects only the views of S&P and an explanation of the significance of such rating may be obtained from S&P. There is no assurance that the rating assigned to the Series Bonds will continue for any given period of time or that it will not be revised or withdrawn entirely if in the judgment of a rating agency, circumstances so warrant. A downward revision or withdrawal of a rating may have an adverse effect on the market price of the Series Bonds.

UNDERWRITING

The Underwriter shown on the cover page of this Official Statement has agreed, subject to the terms of the respective bond purchase agreement (the "**Bond Purchase Agreement**") between the Underwriter and the Authority dated June 26, 2019 to purchase the related series of Series Bonds from the Authority. Each Bond Purchase Agreement provides, in part, that the Underwriter, subject to certain conditions, will purchase from the Authority all the related Series Bonds for a purchase price of \$14,252,933.70, which purchase price is equal to the \$13,270,000.00 par amount of the Series Bonds, less \$116,850.00 Underwriter's discount, plus \$1,099,783.70 original issue premium. The initial public offering prices of the Series Bonds may be changed from time to time by the Underwriter.

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

VERIFICATION OF MATHEMATICAL COMPUTATIONS

On or prior to the date of delivery of the Series Bonds, an independent certified public accountant will deliver a verification, in form satisfactory to the Authority and the Underwriter of (i) the sufficiency of the anticipated cash flow from the Municipal Obligations to pay the principal of and interest on the Series Bonds, (ii) the applicable yield or yields for the Series 2019A Bonds as determined pursuant to the Code, and (iii) the applicable yield or yields in the escrow.

OTHER MATTERS

Dickinson Wright PLLC and Dykema Gossett PLLC each have acted and may act as bond counsel to some of the Governmental Units in connection with their issuance and sale of Municipal Obligations to the Authority.

The summaries and explanations herein of provisions of the Act, the Resolution 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 Authority.

MICHIGAN FINANCE AUTHORITY

By: /s/Deborah M. Roberts
Deborah M. Roberts
Executive Director

APPENDIX I
SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

The following is a brief summary of certain provisions of the Resolution, as amended, restated and supplemented (the “Resolution” in this Appendix) and does not purport to be complete. Reference is made to the Resolution, copies of which are available from the Authority.

The Series Bonds (as defined in the Official Statement) will be issued as the Type: Revenue Sharing Bonds, as described in the Official Statement under the heading “INTRODUCTION—Purpose of this Official Statement”. References in this Appendix I to the provisions of the Resolution relating to the AMBAC Insured Bonds, MBIA Insured Revenue Sharing Bonds, Qualified School Bonds, School Program Bonds, State Qualified School Bonds, Transportation Fund Bonds and Local Project Bonds are not applicable to the Series Bonds.

Definitions

The following are definitions of certain of the terms used in the Resolution and this Official Statement. Capitalized terms appearing in this Official Statement and not specifically defined herein have the meaning given to such terms in the Resolution.

“**Act**” means the Shared Credit Rating Act, Act No. 227 of the Public Acts of 1985 of the State, as from time to time amended.

“**Act 140**” means the State Revenue Sharing Act of 1971, Act No. 140 of the Public Acts of 1971 of the State, as from time to time amended.

“**AMBAC Assurance**” means AMBAC Assurance Corporation, a Wisconsin domiciled stock insurance company.

“**AMBAC Insurance Policy**” means a municipal bond insurance policy issued by AMBAC Assurance insuring the payment when due of the principal of and interest on any Bonds as provided therein.

“**AMBAC Insurance Program Municipal Obligations**” means Municipal Obligations purchased with the proceeds of AMBAC Insured Bonds.

“**AMBAC Insured Bonds**” means Bonds so designated from time to time by an Authorized Officer of the Authority, secured by a pledge of the Authority’s interest in AMBAC Insurance Program Municipal Obligations and with respect to which an AMBAC Insurance Policy has been issued.

“**Authority**” means the Michigan Finance Authority, as successor to the Michigan Municipal Bond Authority created by the Act and the Executive Order, or any board, body, commission, department or officer succeeding to the principal functions thereof or to whom the powers conferred upon the Authority by the Act and the Executive Order shall be given by law.

“**Authorized Denomination**” means \$5,000, and integral multiples thereof or such other denominations which shall be specified in a Supplemental Resolution.

“**Authorized Officer**” means with respect to the Authority, any person who is an “Authorized Officer” as defined in the Authority’s Resolution No. 2013-36 or other resolution of the Authority.

“Available Amount” means for Mandatory Purchase Bonds the amount on deposit in the Revenue Sharing Bond Account of the Revenue Fund not required to pay interest on or to pay the principal at maturity or the Redemption Price of Bonds, and which an Authorized Officer of the Authority directs to be used for the payment of the principal portion of the purchase price of Mandatory Purchase Bonds on any Mandatory Purchase Date, notice of which shall have been given to the Remarketing Agent by the Authority.

“Bond Counsel” means bond counsel as designated by the Authority in a Supplemental Resolution.

“Bondholder” or **“Owner”** or **“Holder”** or **“Holder of Bonds”** or **“Owner of Bonds”** means the registered owner of any Bond.

“Bonds” means the Authority’s Local Government Loan Program Revenue Bonds issued pursuant to the Resolution and Supplemental Resolutions.

“Bond Registrar and Paying Agent” means with respect to any Bond the Bond Registrar and Paying Agent appointed as such by a Supplemental Resolution and any successor thereto, and the Co-Paying Agent to the extent that the Bond Registrar and Paying Agent has delegated responsibilities under the Resolution to the Co-Paying Agent.

“Business Day” means each weekday on which commercial banking institutions in the State and in the State of New York are not required or authorized by law or executive order to remain closed, and on which the New York Stock Exchange, Inc. is not closed.

“Capital Appreciation Bonds” means the Bonds so designated by an Authorized Officer of the Authority which bear interest from their date of issuance and delivery, which interest is compounded semi-annually on each June 1 and December 1 or such other dates as may be specified by an Authorized Officer of the Authority on or prior to the issuance of such Capital Appreciation Bonds, until paid at the maturity thereof.

“Code” means the Internal Revenue Code of 1986, as amended from time to time and any successor provision, act or statute, and the regulations from time to time promulgated or proposed thereunder.

“Collateral Documents” means such documents as may be required, and so designated by the Authority in a Supplemental Resolution, from a Governmental Unit, its incorporating or establishing municipality or other entity designated in a Supplemental Resolution, including without limitation if such Governmental Unit is a building authority incorporated under Act 31, Michigan Public Acts of 1948 (First Extra Session), as amended, or a tax increment finance authority created pursuant to Act 450, Michigan Public Acts of 1980, as amended, or a local development finance authority created pursuant to Act 281, Michigan Public Acts of 1986, as amended, the incorporating or establishing municipality in connection with the purchase by the Authority of Municipal Obligations, including with respect to Revenue Sharing Municipal Obligations and MBIA Insured Revenue Sharing Municipal Obligations, without limitation, the Revenue Sharing Pledge Agreement. Collateral Documents with respect to Municipal Obligations issued pursuant to the Municipal Lighting Authority Act, Act No. 392, Michigan Public Acts of 2012, may include a trust indenture that provides for the deposit of the proceeds of a city’s utility users tax to secure such Municipal Obligations.

“Commencement Date” means the date when the term of the Municipal Obligation begins and the obligation of the Governmental Unit to make Loan Repayments accrues.

“Compound Accreted Value” means with respect to each Capital Appreciation Bond, as of the date of computation an amount equal to the principal amount of each Capital Appreciation Bond plus interest accrued and compounded on such Capital Appreciation Bond from its dated date to the June 1 or December 1 (or such other date or dates as may be specified by Supplemental Resolution or by an Authorized Officer of the Authority on or prior to the issuance of such Capital Appreciation Bond) immediately preceding the date of computation or to the date of computation if a June 1 or December 1 (or such other date or dates as may be specified by Supplemental Resolution or by an Authorized Officer of the Authority on or prior to the issuance of such Capital Appreciation Bond), as set forth in schedules of the Compound Accreted Value per \$1,000 (or \$5,000) maturity amount of each Capital Appreciation Bond on each June 1 or December 1 (or such other date or dates as may be specified by Supplemental Resolution or by an Authorized Officer of the Authority on or prior to the issuance of such Capital Appreciation Bond) prepared by an Authorized Officer of the Authority.

“Co-Paying Agent” means with respect to any Bond the Co-Paying Agent, if any, appointed as such by a Supplemental Resolution and any successor thereto.

“Costs of Issuance” means any administrative costs of the Authority or items of expense payable or reimbursable directly or indirectly by the Authority and related to the authorization, sale, and issuance of the Bonds, which items of expense shall include, but not be limited to, underwriter’s fees, printing costs, cost of reproducing documents, filing and recording fees, initial fees and charges of a Trustee, the initial fees of any liquidity facility issuer, if any, and fees or premiums of any credit facility issuer, if any, costs and expenses of verification agents, the Bond Registrar and Paying Agent, the Co-Paying Agent, the Depository, and the Authority, legal fees and charges, professional consultants’ fees, financial advisors’ fees, costs of credit ratings, fees and charges for execution, transportation and safekeeping of Bonds, the cost of any Reserve Account Security Instrument and other costs, charges and fees in connection with the foregoing, or designated as such in a Supplemental Resolution, and any other items of expense authorized by the Act.

“Cost of Issuance Agreement” means the agreements, if any, between the Authority and the Governmental Units regarding the payment or reimbursement of the Authority’s Costs of Issuance.

“Costs of Issuance Fund” means the Costs of Issuance Fund established and so designated by the Resolution.

“Counsel” means an attorney duly admitted to practice law before the highest court of any state.

“Current Interest Bonds” means the Bonds so designated by an Authorized Officer of the Authority which bear interest from their date of issuance and delivery payable semi-annually on such dates as may be specified by an Authorized Officer of the Authority prior to the issuance of such Current Interest Bonds.

“Depository” means with respect to any Bond the Trustee or such other Depository (including without limitation the State Treasurer) appointed as such by a Supplemental Resolution.

“Distributable Aid” means the payments that a Governmental Unit, or if such Governmental Unit is a building authority incorporated under Act 31, Michigan Public Acts of 1948 (First Extra Session), as amended, the incorporating municipality, or if such Governmental Unit is a tax increment finance authority created pursuant to Act 450, Michigan Public Acts of 1980, as amended, or a local

development finance authority created pursuant to Act 281, Michigan Public Acts of 1986, as amended, the establishing municipality is eligible to receive from the State under Act 140 or successor thereto serving the same purpose and which may otherwise be lawfully pledged as security for Municipal Obligations.

“Distributable Aid Ratio” means, with respect to any Governmental Unit and annual distribution period under Act 140, the ratio of the amount of all payments of Distributable Aid that the Governmental Unit, or if such Governmental Unit is a building authority incorporated under Act 31, Michigan Public Acts of 1948 (First Extra Session), as amended, the incorporating municipality, or if such Governmental Unit is a tax increment finance authority created pursuant to Act 450, Michigan Public Acts of 1980, as amended, or a local development finance authority created pursuant to Act 281, Michigan Public Acts of 1986, as amended, the establishing municipality is eligible to receive in such annual period, to the estimated maximum annual principal and interest requirements for the Municipal Obligation, expressed as a decimal equivalent.

“Distributable Sales Tax Ratio” means, with respect to any Governmental Unit and annual distribution period under Act 140, the ratio of the amount of all payments of state sales tax revenues that the Governmental Unit or, if such Governmental Unit is a building authority incorporated under Act 31, Michigan Public Acts of 1948 (First Extra Session), as amended, the incorporating municipality, or if such Governmental Unit is a tax increment finance authority created pursuant to Act 450, Michigan Public Acts of 1980, as amended, or a local development finance authority created pursuant to Act 281, Michigan Public Acts of 1986, as amended, the establishing municipality is eligible to receive under Act 140 in such annual period to the estimated maximum annual principal and interest requirements for the Municipal Obligation expressed as a decimal equivalent.

“Eligible Investment” means, except as otherwise provided in a Supplemental Resolution, such of the following as shall mature, or shall be subject to redemption by the holder thereof at the option of such holder, not later than the respective dates when the moneys will be required for the purposes intended: (i) Government Obligations, (ii) certificates of deposit issued by any bank or trust company whose deposits are insured by the Federal Deposit Insurance Corporation, provided that such certificates of deposit shall be secured by Government Obligations with a market value equal to the principal amount thereof over the amount guaranteed by the Federal Deposit Insurance Corporation, (iii) debentures or notes issued by any of the following Federal agencies: Banks for Cooperatives, Federal Intermediate Credit Banks, Federal Loan Banks, Export-Import Bank of the United States, Government National Mortgage Association, Federal National Mortgage Association, Federal Home Loan Mortgage Corporation or, Federal Home Loan Banks, Federal Land Banks (including participation certificates issued by such agencies) and all other obligations issued or in the opinion of the Attorney General of the United States unconditionally guaranteed as to principal and interest by any agency or person controlled or supervised by and acting as an instrumentality of the United States of America pursuant to authority granted by the Congress, (iv) an Investment Agreement, (v) obligations the interest on which is excluded from gross income for purposes of federal income tax under the Code and, which have received from all Rating Agencies rating the Bonds, a rating in a Rating Category at least as high as the rating on any Bonds secured by such investment, (vi) commercial paper that has received from all Rating Agencies rating the Bonds, a rating at least as high as the rating on any Bonds secured by such investment, (vii) any other investment permitted by the Act and approved by resolution of the Authority which has received from all Rating Agencies rating the Bonds a rating in a Rating Category at least as high as the rating on any Bonds secured by such investment, and (viii) with respect to the AMBAC Insured Bond Account within the Revenue Fund, any investment which is legal for the Authority and which has been approved in writing by AMBAC Assurance.

“Event of Default” means an Event of Default specified under the Resolution.

“Excess Funds” means with respect to the Revenue Account for each Type of Bonds the amount by which the funds on deposit therein exceeds the amount required for the purposes of the Resolution (including future payments of principal and interest on the Bonds of such Type), as certified by an Authorized Officer of the Authority.

“Executive Order” means Executive Order No. 2010-2 issued by the Governor of the State on March 4, 2010 and effective by its terms on May 30, 2010.

“Fees and Charges” means all fees and charges collected by the Authority in connection with Municipal Obligations purchased pursuant to the Resolution.

“Fully Marketable Form” shall have the same meaning under the Resolution as in the Act.

“Government Obligations” means, except as otherwise provided in a Supplemental Resolution, direct general obligations of, or obligations the timely payment of the principal of and interest on which are fully and unconditionally guaranteed by, the United States of America.

“Governmental Unit” means a “governmental unit” as defined in the Act which qualifies as “a governmental unit within the meaning of Section 103(b)(3)(a) of the Internal Revenue Code of 1954, as amended, and Sections 141(b)(6)(A) and 141(c)(1) of the Code and, if the context so requires, which has been received a Loan from the Authority from the proceeds of the Bonds.

“Group” shall have the meaning, if any, given in a Supplemental Resolution.

“Interest Payment Date” means, except to the extent otherwise provided in any Supplemental Resolution, (in which case such provision shall govern): (i) with respect to the Transportation Fund Bonds the first February 1 or August 1 which occurs at least 3 months after the original issue date of such Bond, and each February 1 and August 1 thereafter, and (ii) with respect to all other Bonds the first May 1 or November 1 which occurs at least 3 months after the original issue date of such Bond and each May 1 and November 1 thereafter.

“Interest Period” means except as otherwise provided in any Supplemental Resolution, with respect to any Mandatory Purchase Bond, each period during which the interest rate on such Bond is not subject to change in accordance with the provisions of the Resolution, which shall be determined as provided in the Resolution.

“Investment Agreement” means any agreement for the investment of funds held under the terms of the Resolution which will not result in a reduction or withdrawal of any existing rating on any of the Bonds.

“Liquidation Proceeds” means amounts received by the Authority in connection with enforcement of any of the remedies under a Municipal Obligation or Collateral Document after the occurrence of a default which has not been waived or cured.

“Loan” means a loan made by the Authority to a Governmental Unit pursuant to the provisions of the Resolution or a Supplemental Resolution.

“Loan Account” means with respect to each Type of Bonds the Loan Account, for such Type of Bonds within the Loan Fund established and so designated by the Resolution or a Supplemental Resolution.

“Loan Fund” means the Loan Fund established and so designated by the Resolution.

“Loan Program Revenue Fund” means the fund established and so designated by the Resolution.

“Loan Repayments” means the payments of principal of and interest on a Municipal Obligation and any other amounts payable by a Governmental Unit pursuant to its Municipal Obligation.

“Local Project Bonds” means Bonds so designated from time to time by an Authorized Officer of the Authority of one or more Types (each Local Project Bond to be of a Type so designated by such Authorized Officer), the Bonds of each such Type being secured by a pledge of the Authority’s interest in one or more Local Project Municipal Obligations.

“Local Project Bond Reserve Account” means with respect to each Type of Local Project Bonds the account or accounts within the Reserve Fund established and so designated by the Resolution, by a Supplemental Resolution or by an Authorized Officer for each Type of Local Project Bond, if any.

“Local Project Municipal Obligations” means Municipal Obligations so designated from time to time by an Authorized Officer of the Authority.

“MBIA” means the Municipal Bond Investors Assurance Corporation and its successors.

“MBIA Insurance Program Revenue Sharing Municipal Obligations” means Municipal Obligations purchased with the proceeds of MBIA Insured Revenue Sharing Bonds.

“MBIA Insured Revenue Sharing Bonds” means Bonds so designated from time to time by an Authorized Officer of the Authority, secured by a pledge of the Authority’s interest in MBIA Insurance Program Revenue Sharing Municipal Obligations, and with respect to which a Municipal Bond Guaranty Insurance Policy has been issued.

“MBIA Insured Revenue Sharing Bond Reserve Account” means the account within the Reserve Fund established and so designated by the Resolution, if any.

“Mandatory Purchase Bonds” means Revenue Sharing Bonds so designated by an Authorized Officer of the Authority.

“Mandatory Purchase Date” means, except to the extent otherwise provided in any Supplemental Resolution, (in which case such provision shall govern), and exclusive of the maturity date, the last day of any Interest Period.

“Mandatory Purchase Notice” means the notice of any Mandatory Purchase Date required to be given by the Bond Registrar and Paying Agent pursuant to the Resolution.

“Mandatory Redemption” shall mean any mandatory redemption made pursuant to the Resolution.

“Moody’s” means Moody’s Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, and, if such corporation is dissolved or liquidated or no longer performs the functions of a securities rating agency, “Moody’s” will be deemed to

refer to any other nationally recognized securities rating agency designated by the Authority by notice to the Trustee.

“Municipal Obligation” means an obligation of a Governmental Unit purchased by the Authority with proceeds of the Bonds.

“Municipal Obligation Closing Date” means, with respect to any Municipal Obligation, the date on which such Municipal Obligation is purchased by the Authority, which date shall be specified in writing by an Authorized Officer of the Authority.

“Non-Arbitrage And Tax Compliance Certificate” means a Non-Arbitrage And Tax Compliance Certificate executed by an Authorized Officer of the Authority relating to the use of the proceeds of the Bonds and compliance with the applicable provisions of the Code and regulations promulgated thereunder. It is anticipated that a separate Non-Arbitrage And Tax Compliance Certificate may be executed with respect to each Group or Series of Bonds. All Non-Arbitrage And Tax Compliance Certificates executed by an Authorized Officer of the Authority with respect to any Bond, as such certificates may be amended or supplemented from time to time are collectively referred to as the “Non-Arbitrage And Tax Compliance Certificate”.

“Notice of Election to Retain” means a notice of election to retain Mandatory Purchase Bonds given by the Owner thereof prior to a Mandatory Purchase Date pursuant to the Resolution.

“Notice Parties” means the Authority, the Trustee, the Bond Registrar and Paying Agent, the Co-Paying Agent, the Depository, MBIA with respect to MBIA Insured Revenue Sharing Bonds, and any other party so designated by a Supplemental Resolution.

“Original Issue Date” means with respect to each Bond the date on which the Bond is delivered to the original purchasers thereof or other date specified in a Supplemental Resolution.

“Outstanding Bonds” or **“Bonds Outstanding”** means all Bonds which have been authenticated and delivered by the Bond Registrar and Paying Agent under the Resolution or a Supplemental Resolution, except:

- (a) Bonds canceled after purchase in the open market because of payment;
- (b) Bonds deemed paid under the Resolution; and
- (c) Bonds in lieu of which other Bonds have been authenticated under the Resolution.

“Pledge Agreement” or **“School Aid Pledge Agreement”** means a pledge agreement between a Governmental Unit and the Authority regarding the pledge and payment of a Governmental Unit’s school aid pursuant to section 17a of Act 94 of the Public Acts of Michigan of 1979, as amended.

“Pledged Funds” means and includes with respect to each Type of Bond, the appropriate accounts within the Loan Fund, the Reserve Fund, the Revenue Fund, and all moneys, instruments and investments from time to time therein. Pledged Funds does not include the Rebate Fund or the Cost of Issuance Fund.

“Preliminary Rate Determination Date” means the Business Day selected by the Remarketing Agent which is at least three Business Days prior to any Mandatory Purchase Date.

“Purchase Amount” means with respect to any Mandatory Purchase Date the aggregate principal amount of Mandatory Purchase Bonds subject to mandatory purchase on such date and for which no Notice of Election to Retain has been given.

“Qualified School Bonds” means Bonds so designated from time to time by an Authorized Officer of the Authority and secured by a pledge of the Authority’s interest in the Qualified School Municipal Obligations.

“Qualified School Municipal Obligations” means Municipal Obligations fully qualified for participation in the State School Bond Loan Fund pursuant to the provisions of Article IX, Section 16 of the State Constitution and Act No. 108 of the Public Acts of 1961 of the State, as from time to time amended.

“Rate Determination Date” means, with respect to any Interest Period for any Bond the Business Day selected by the Remarketing Agent and acceptable to the Authority, that is not fewer than one nor more than 20 Business Days prior to the first day of such Interest Period and at least one Business Day after the last day on which a Notice of Election to Retain may be given by any Owner of a Bond to which such Interest Period applies.

“Rate Indication” shall have the meaning given to such term in the Resolution.

“Rating Agency” means Moody’s or S&P or such other Rating Agency so designated in a Supplemental Resolution.

“Rating Category” means one of the generic rating categories of Moody’s or S&P or other Rating Agency without regard to any refinement or graduation of such rating category by a numerical modifier or otherwise.

“Rebate Fund” means the special fund so designated and established by the Resolution.

“Rebate Payments” means the payments required to be deposited to the credit of the Rebate Fund pursuant to the Non-Arbitrage and Tax Compliance Certificate.

“Record Date” means the 15th day of the calendar month immediately preceding any Interest Payment Date, or as otherwise specified in a Supplemental Resolution.

“Redemption Price” means, with respect to any Bond or any portion thereof, the principal amount of such Bond or such portion thereof and any premium thereon payable upon redemption thereof pursuant to the Resolution or a Supplemental Resolution.

“Remarketing Agent” means the remarketing agent or agents for any Bonds appointed by the Supplemental Resolution authorizing such Bonds and any replacement, successor or additional remarketing agent or agents appointed from time to time by the Authority.

“Remarketing Agreement” means any Remarketing Agreement for the bonds entered into by the Authority and a Remarketing Agent as amended, modified or supplemented from time to time.

“Remarketing Amount” means with respect to any Mandatory Purchase Date, the Purchase Amount minus the Available Amount.

“Reserve Account” means, with respect to each Type of Bonds, the Reserve Account, if any, for such Type of Bonds, within the Reserve Fund, established and so designated by the Resolution or a Supplemental Resolution. No Reserve Account has been established for Transportation Fund Bonds, Qualified School Bonds or AMBAC Insured Bonds unless otherwise provided for in a Supplemental Resolution.

“Reserve Account Requirement” means (unless a different Reserve Account Requirement is established with respect to such Type of Bonds by a Supplemental Resolution) with respect to each Type of Bonds for which a reserve account is established, the maximum annual principal and interest requirement (for the then current or any subsequent year) on all Bonds of such Type from time to time Outstanding; provided, that such Requirement shall not exceed the lower of 125% of the average annual principal and interest requirements on such Bonds or 10% of the net proceeds of such Bonds; and provided further, that for Bonds other than Bonds bearing interest at rates fixed until their maturity or mandatory redemption dates, annual interest requirements shall be estimated by using the weighted average of the interest rates for Bonds of such Type for which the interest rates are so fixed, if any, or by such other method as shall be provided in a Supplemental Resolution. The Reserve Account Requirement for any Reserve Account may be satisfied by delivery to the Trustee of a Reserve Account Security Instrument. Notwithstanding the foregoing, the Authority in a Supplemental Resolution may reduce or eliminate the Reserve Account Requirement with respect to any Type or Types of Bond at any time if such reduction or elimination would not result in the reduction or withdrawal of any rating applicable to such Bonds, and in such event such Reserve Account Requirement shall be deemed to be so reduced or eliminated.

“Reserve Account Security Instrument” means a letter of credit, line of credit, policy of insurance, surety bond or similar instrument which will provide for the payment of all or part of the amounts required to be disbursed from a Reserve Account; provided that the Reserve Account Security Instrument shall not result in a reduction of any rating on the Bonds and provided further that with respect to the MBIA Insured Revenue Sharing Bond Reserve Account, the Reserve Account Security Instrument shall be approved in writing by MBIA.

“Reserve Fund” means the Reserve Fund (including therein the Revenue Sharing Bond Reserve Account, the Local Project Bond Reserve Accounts, and the MBIA Insured Revenue Sharing Bond Reserve Account and any other Reserve Accounts established by a Supplemental Resolution) and so designated by the Resolution.

“Resolution” means the Amended and Restated Resolution Establishing Michigan Finance Authority Local Government Loan Program and Providing for the Issuance of Local Government Loan Program Revenue Bonds of the Authority adopted and so designated by the Authority, as the same may be supplemented or amended pursuant to the terms thereof.

“Revenue Sharing Bonds” means Bonds so designated from time to time by an Authorized Officer of the Authority and secured by the pledge of the Authority’s interest in the Revenue Sharing Municipal Obligations. Revenue Sharing Bonds does not include MBIA Insured Revenue Sharing Bonds.

“Revenue Sharing Bonds Reserve Account” means the account established and so designated by the Resolution.

“Revenue Sharing Municipal Obligations” means Municipal Obligations so designated by an Authorized Officer of the Authority, secured in part by a pledge of the Governmental Unit’s Distributable Aid, or if such Governmental Unit is a building authority incorporated under Act 31, Michigan Public Acts of 1948 (First Extra Session), as amended, a pledge of the incorporating municipality’s Distributable Aid, or if such Governmental Unit is a tax increment finance authority created pursuant to Act 450, Michigan Public Acts of 1980, as amended, or a local development finance authority created pursuant to Act 281, Michigan Public Acts of 1986, as amended, a pledge of the establishing municipality’s Distributable Aid. Revenue Sharing Municipal Obligations does not include MBIA Insurance Program Revenue Sharing Municipal Obligations.

“Revenue Sharing Pledge Agreement” means the Revenue Sharing Pledge Agreement between a Governmental Unit, or if such Governmental Unit is a building authority incorporated under Act 31, Michigan Public Acts of 1948 (First Extra Session), as amended, the incorporating municipality, or if such Governmental Unit is a tax increment finance authority created pursuant to Act 450, Michigan Public Acts of 1980, as amended, or a local development finance authority created pursuant to Act 281, Michigan Public Acts of 1986, as amended, the establishing municipality, and the Authority regarding the pledge and payment of a Governmental Unit’s, or incorporating municipality’s or establishing municipality’s, Distributable Aid.

“Revenues” means all income derived for the period for which the calculation is being made by or for the account of the Authority from the Municipal Obligations or under the Resolution, including (i) Loan Repayments, (ii) Liquidation Proceeds, and (iii) income from the investment of all funds and accounts created by or pursuant to the Resolution.

“S&P” means Standard & Poor’s Ratings Services, a corporation organized and existing under the laws of the State of New York, its successors and assigns, and, if such corporation is dissolved or liquidated or no longer performs the functions of a securities rating agency, “S&P” will be deemed to refer to any other nationally recognized securities rating agency designated by the Authority, by notice to the Trustee.

“School Aid” means the payments that a Governmental Unit is eligible to receive from the State under the School Aid Act.

“School Aid Act” means the State School Aid Act of 1979, Act 94 of the Public Acts of 1979 of the State, as from time to time amended.

“School Program Bonds” means Bonds so designated from time to time by an Authorized Officer of the Authority and secured by a pledge of the Authority’s interest in School Program Municipal Obligations.

“School Program Municipal Obligations” means Municipal Obligations so designated by an Authorized Officer of the Authority, secured in part by a pledge of the Governmental Unit’s school aid pursuant to a School Aid Pledge Agreement.

“Security” means the Pledged Funds, and other funds, properties and rights of the Authority described in the Resolution as security for the payment of the Bonds.

“Serial Bonds” means Bonds so designated in or pursuant to a Supplemental Resolution authorizing their issuance.

“Series of Bonds” or **“Bonds of a Series”** means a Series of Bonds, if any, authorized and so designated by or pursuant to a Supplemental Resolution.

“State” means the State of Michigan.

“State Qualified School Bonds” means Bonds so designated by an Authorized Officer of the Authority secured by a pledge of the Authority’s interest in the State Qualified School Municipal Obligations.

“State Qualified School Municipal Obligations” means Municipal Obligations fully qualified for participation in the State School Bond Loan Fund pursuant to the provisions of Article IX, Section 16 of the State Constitution and Act No. 92 of the Public Acts of 2005 of the State, as from time to time amended, or under former Act No. 108 of the Public Acts of 1961 of the State, and which are purchased with proceeds of State Qualified School Bonds.

“State Treasurer” means the Treasurer of the State.

“Supplemental Indenture” means an indenture supplemental to or amendatory to the Resolution authorized by resolution of the Authority and entered into by the Authority and a Trustee in accordance with the Resolution. Except as otherwise expressly provided in the Resolution, all provisions of the Resolution applicable to Supplemental Resolutions also apply to Supplemental Indentures.

“Supplemental Resolution” means a resolution supplemental to or amendatory to the Resolution, adopted by the Authority in accordance with the Resolution. The term Supplemental Resolution shall also mean and include a Supplemental Indenture.

“Term Bonds” means Bonds so designated in or pursuant to a Supplemental Resolution authorizing their issuance.

“Transportation Fund Bonds” means Bonds so designated from time to time by an Authorized Officer of the Authority and secured by a pledge of the Authority’s interest in the Transportation Fund Municipal Obligations.

“Transportation Fund Municipal Obligations” means Municipal Obligations secured in part by a pledge of a Governmental Unit’s State Transportation Fund or Motor Vehicle Highway Fund revenues and issued pursuant to Act 143 of the Public Acts of Michigan of 1943, Act 51 of the Public Acts of Michigan of 1951, Act 175 of the Public acts of Michigan of 1952, or Act 283 of Public Acts of Michigan of 1909, all as from time to time amended.

“Trustee” shall mean, with respect to each Type of Bond, the Trustee appointed in a Supplemental Resolution, and its respective successor.

“Type” means, with respect to any Bond, the category of Bonds including such Bond that is equally and ratably secured with each other under the Resolution. The Types of Bonds authorized to be issued under the Resolution are AMBAC Insured Bonds, MBIA Insured Revenue Sharing Bonds, Qualified School Bonds, Revenue Sharing Bonds, School Program Bonds, State Qualified School Bonds, Transportation Fund Bonds, and separately designated Types of Local Project Bonds, each such separately designated Type of Local Project Bonds to constitute a Type. Serial or Group designations for Bonds may be made in the Supplemental Resolution authorizing the issuance of the Bonds. Additional Types of Bonds may be authorized to be issued by a Supplemental Resolution. “Type” means with respect to any Municipal Obligation the Type designated of the corresponding Bonds.

Pledge and Establishment of Funds and Accounts

Pledge

The Pledged Funds with respect to each Type of Bonds under the Resolution, including the moneys deposited therein, investments thereof and the proceeds of such investments, if any, are pledged to the Trustee for such Type of Bonds for the payment of the principal of, and interest on, each Type of Bonds in accordance with the terms and provisions of the Resolution. This pledge shall be valid and binding from and after the date of adoption of the Resolution and the Pledged Funds shall immediately be subject to the lien of such pledge without any physical delivery thereof, recordation of the Resolution, or further act, and the lien of such pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Authority, irrespective of whether such parties have notice thereof.

Any amounts deposited into the Costs of Issuance Fund and the Rebate Fund, are not Pledged Funds and the Holders of Bonds shall not have any lien thereon.

Establishment of Funds

The following special funds and accounts shall be established, maintained and held by the Trustee, the Authority or the Depository pursuant to the provisions of the Resolution:

(1) Revenue Fund — Michigan Finance Authority, Local Government Loan Program; and within the Revenue Fund separate accounts designated as the Qualified School Bond Account, the Transportation Fund Bond Account, the Revenue Sharing Bond Account, one or more Local Project Bond Accounts (each to be separately designated by an Authorized Officer of the Authority from time to time for each separately designated Type of Local Project Bonds), the MBIA Insured Revenue Sharing Bond Account, and such additional accounts as shall be created by Supplemental Resolution. The Revenue Fund and all accounts therein shall be held in trust by the Trustee, or at the written direction of an Authorized Officer of the Authority, by the Depository.

(2) Loan Fund — Michigan Finance Authority, Local Government Loan Program; and within the Loan Fund separate accounts designated as the Qualified School Bond Loan Account, the Revenue Sharing Bond Loan Account, the Transportation Fund Bond Loan Account, the MBIA Insured Revenue Sharing Bond Loan Account, the School Program Bond Loan Account, the AMBAC Insured Bond Loan Account, the State Qualified School Bond Loan Account, and one or more Local Project Bond Accounts (each to be separately designated by an Authorized Officer of the Authority from time to time for each separately designated Type of Local Project Bonds) and such additional accounts as shall be created by Supplemental Resolution. The Loan Fund and all accounts therein shall be held in trust by the Trustee, or at the written direction of the Authority, by the Depository.

(3) Costs of Issuance Fund — Michigan Finance Authority, Local Government Loan Program. The Costs of Issuance Fund shall be held by the Authority, or at the written direction of the Authority, by the Depository, or the Trustee.

(4) Reserve Fund — Michigan Finance Authority Local Government Loan Program; and within the Reserve Fund separate accounts designated as the Revenue Sharing Bond Reserve Account, the MBIA Insured Revenue Sharing Bond Reserve Account, and one or more Local Project Bond Reserve Accounts (to be separately designated by an Authorized Officer of the Authority from time to time for each separately designated Type of Local Project Bonds). The Reserve Fund and all accounts therein shall be held in trust by the Trustee, or at the written direction of the Authority, by the Depository.

(5) Rebate Fund — Michigan Finance Authority, Local Government Loan Program; and within the Rebate Fund separate accounts designated by a Supplemental Resolution or by a Non-Arbitrage and Tax Compliance Certificate. The Rebate Fund and all accounts therein shall be held by the Authority or at the written direction of the Authority, by the Depository, or the Trustee.

An Authorized Officer of the Authority is authorized by the Resolution to establish and maintain such other accounts and subaccounts in the aforesaid funds and accounts as may be necessary, convenient or required to provide for the Authority's compliance with the covenants of the Authority described below under "Covenants of the Authority."

An Authorized Officer is authorized to direct the Trustee or the Depository in writing to close any fund, account or subaccount established by or pursuant to the Resolution to the extent such fund, account or subaccount is determined by an Authorized Officer to be unnecessary and thereafter to reopen and reclose such fund, account or subaccount as an Authorized Officer shall determine.

Application of Bond Proceeds

The net proceeds of each Series of Bonds shall be deposited by the Authority as follows:

(a) In the Costs of Issuance Fund, the sum specified by an Authorized Officer of the Authority; and

(b) In the Revenue Fund, to the credit of the appropriate account, amounts received as accrued interest, if any, on the corresponding Type of Bonds and amounts specified by an Authorized Officer of the Authority to provide for payment of capitalized interest on Bonds; and

(c) In the Reserve Fund, to the credit of the appropriate account, amounts equal to the Reserve Account Requirement or sufficient to purchase a Reserve Account Security Instrument; and

(d) In the Loan Fund, to the credit of the appropriate account, the balance of the proceeds received from the sale of such Series of Bonds.

Loan Fund

(a) Moneys in each Loan Account of the Loan Fund shall be transferred to the corresponding Reserve Account, if any, to the extent required by the Resolution and shall be disbursed to Governmental Units upon the purchase by the Authority of Municipal Obligations from Governmental Units. Such transfers and disbursements shall be made by the Authority, or by the Trustee or the Depository only upon the written direction of an Authorized Officer of the Authority; and

(b) All earnings on moneys in any Loan Account of the Loan Fund shall be transferred, as received, to the Revenue Fund, the Costs of Issuance Fund or remain in the Loan Fund as directed in writing by the Authority as received.

Costs of Issuance Fund

Bond proceeds including moneys in the Costs of Issuance Fund, shall be used to pay the Costs of Issuance or to the extent not needed for such purpose transferred to the Revenue Fund pursuant to the written direction of an Authorized Officer of the Authority.

Revenue Fund

All Loan Repayments, moneys transferred from the Loan Fund to provide for payment of capitalized interest on Bonds, Fees and Charges and Liquidation Proceeds held or collected by or on behalf of the Authority shall be deposited upon receipt in the appropriate account of the Revenue Fund as directed in writing by an Authorized Officer of the Authority. There shall also be deposited in the appropriate account of the Revenue Fund any other moneys made available by the Authority for the purposes of such account from any other source. Moneys (including the proceeds of sale of Investments) from time to time in the Revenue Fund shall be paid out and applied in the following order of priority; provided, however that in each case only amounts on deposit in the account established for a particular Type of Bond shall be used to make payments with respect to such Type of Bonds or transfers to the Reserve Account established for such Type of Bond, and only moneys on deposit in the account corresponding to Bonds of each Type shall be used to make payments with respect to such Bonds or transfers to the Reserve Account of the Reserve Fund corresponding to such Type of Bonds:

(1) At such times as are necessary, to pay the principal of and interest and redemption premium, if any, on any Bonds when due, whether at maturity or upon redemption, redeemed pursuant to the Resolution;

(2) At such times as are necessary to: (i) pay the fees and expenses of the Trustee, the Authority (including costs of issuing Bonds if insufficient amounts are on hand in the Costs of Issuance Fund), the Bond Registrar and Paying Agent, the Co-Paying Agent, the issuer of any Reserve Account Security Instrument, the financial advisors to the Authority and any transfer agent, co-paying agent or independent accountants employed to provide or verify cash flow projections and (ii) any rebate required under the Resolution; provided that an Authorized Officer may authorize the payment of any such fees or expenses prior to the payment of principal or interest on the Bonds;

(3) At such times as are necessary, to reimburse the Reserve Accounts in amounts sufficient to maintain the Reserve Account Requirements or reimburse the issuers of Reserve Account Security Instruments;

(4) Not more often than semiannually, to the extent certified by an Authorized Officer of the Authority as Excess Funds, to the Authority free and clear of the lien of the Resolution, provided however that notwithstanding the foregoing or any other provision of the Resolution Excess Funds may be paid out and applied as otherwise provided in a Supplemental Resolution and provided further, however, that notwithstanding the foregoing or any other provision of the Resolution, Excess Funds in accounts for Bonds with respect to which MBIA has issued a Reserve Account Security Instrument or a Municipal Bond Guaranty Insurance Policy shall first be paid to MBIA to the extent of any reimbursement obligation owing to MBIA thereunder, and Excess Funds in accounts for Bonds with respect to which AMBAC Assurance has issued an AMBAC Insurance Policy shall first be paid to AMBAC Assurance to the extent of any reimbursement obligation owing to AMBAC Assurance thereunder.

Notwithstanding the foregoing, moneys and investments in the Revenue Fund which have been allocated to the redemption of Bonds as to which notice of redemption has been given in accordance with the requirement of the Resolution shall be applied only to such redemption in accordance with the requirements of the Resolution.

In the event a payment on a Municipal Obligation is received and deposited into the Revenue Fund and due to the untimeliness of its tendering, moneys have previously been transferred from a Reserve Account to account for such untimely payment, such payment on a Municipal Obligation up to the amount so transferred shall be deposited in the appropriate Reserve Account to the extent necessary to increase the amount on deposit in such Reserve Account to the Reserve Account Requirement for such Reserve Account, and provided further that notwithstanding any provision of the Resolution in the event a payment on a Municipal Obligation is received and deposited into the Revenue Fund and due to the untimeliness of its tendering, moneys have previously been paid from a Reserve Account Security Instrument to account for such untimely payment, such payment on a Municipal Obligation shall immediately be deposited directly in any account for which a Reserve Account Security Instrument has been issued, as applicable, to the extent necessary to fully reimburse the issuer of the applicable Reserve Account Security Instrument in accordance with its terms and with the terms of any financial guaranty agreement or reimbursement agreement delivered in connection therewith.

Reserve Fund

There shall be deposited in and credited to the Reserve Accounts all moneys transferred from the Revenue Fund as described above under “The Revenue Fund”.

Amounts in the Reserve Fund shall be paid out and applied by the Authority, the Trustee or the Depository solely to pay the items enumerated in paragraphs (1), (2), (but only to the extent of any rebate required by the Resolution), and (4) above under “Revenue Fund” in that order of priority, to the extent insufficient amounts are available to pay such items in the Revenue Fund, provided that the Trustee shall pay, and is authorized to pay, to the extent of any reimbursement obligation owing to the issuer of any Reserve Account Security Instrument securing any Bonds, all moneys in the Reserve Account for such Bonds directly to the issuer of the applicable Reserve Account Security Instrument. Any earnings on moneys deposited in the Reserve Fund shall, to the extent such earnings cause the amount credited to the Reserve Fund to exceed the applicable Reserve Account Requirement, be transferred as received to the Revenue Fund; provided, however, that amounts on deposit in each Reserve Account shall be transferred and applied only with respect to the corresponding Type of Bonds, and amounts on deposit in the MBIA Insured Revenue Sharing Bond Reserve Account shall be transferred and applied for the purposes enumerated in paragraph 2 above under “Revenue Fund” only with the consent of MBIA. Notwithstanding any other provision of the Resolution, the delivery of a Reserve Account Security Instrument as replacement for an existing cash deposit in any Reserve Account is authorized. The Trustee, under the Resolution, is authorized and directed (i) to deliver a demand for payment under any Reserve Account Security Instrument issued by MBIA in accordance with the terms of such Reserve Account Security Instrument at least one day prior to the date on which funds are required to be paid under such Reserve Account Security Instrument, and (ii) to maintain adequate records (such records to be verified to the Trustee by MBIA) as to the amount available to be drawn at any given time under each Reserve Account Security Instrument issued by MBIA and held by the Trustee, and as to the amounts of any reimbursement obligation thereunder, or under the financial guaranty insurance agreement between MBIA and the Authority, paid and owing to MBIA.

Revenue Sharing Pledge Agreements or Pledge Agreements

The Authority shall cause the State Treasurer to agree, pursuant to the applicable Revenue Sharing Pledge Agreement or Pledge Agreement, to immediately transfer to the appropriate Bond Account of the Revenue Fund, available Distributable Aid (including in the case of a Governmental Unit which is a building authority incorporated under Act 31, Michigan Public Acts of 1948 (First Extra Session), as amended, available Distributable Aid of the incorporating municipality, and in the case of a Governmental Unit which is a tax increment finance authority established under Act 450, Michigan Public Acts of 1980, as amended, or a local development finance authority established under Act 281, Michigan Public Acts of 1986, as amended, available Distributable Aid of the establishing municipality) or state school aid, respectively, with respect to a Governmental Unit which has failed to pay any Loan Repayment when due under the applicable Municipal Obligation, and thereafter to continue to make such transfers to the extent provided by such Revenue Sharing Pledge Agreement or Pledge Agreement. The Authority, the Depository, or the Trustee, as the case may be, shall notify the State Treasurer in each case if a Governmental Unit (a) fails to pay at least five Business Days prior to the date when due any payments required to be made pursuant to any MBIA Insurance Program Revenue Sharing Municipal Obligation; (b) fails to pay at least two days prior to the date when due, any payments required to be made pursuant to any Revenue Sharing Municipal Obligation or (c) fails to pay at least five Business Days prior to the date when due any payments required to be made pursuant to any School Program Municipal Obligation. Such notice shall contain a request that the State Treasurer immediately transfer payments pursuant to the applicable Revenue Sharing Pledge Agreement or Pledge Agreement.

Rebate Fund

All Rebate Payments shall be deposited into the Rebate Fund. The Amounts in the Rebate Fund shall be held in trust and applied as provided in the Resolution and in the Non-Arbitrage and Tax Compliance Certificate.

Amounts Remaining in Funds and Accounts

Any amounts remaining in any Fund or account after full payment of the Bonds secured by such Fund or account or provision for payment thereof and all fees, charges and expenses have been paid shall be distributed by the Depository or the Trustee to the Authority, or as otherwise provided in a Supplemental Resolution; provided, however, that any amounts owing to MBIA and payable from such Fund or account shall first be paid to MBIA and any amounts owing to AMBAC Assurance and payable from such Fund or account shall be first paid to AMBAC Assurance.

Investment of Funds

Investment of Funds and Accounts Held

Unless otherwise provided in a Supplemental Resolution, moneys in the Loan Fund, the Costs of Issuance Fund, the Reserve Fund, the Rebate Fund and the Revenue Fund shall be invested by the Authority, or at the direction of the Authority by the Trustee or the Depository in Eligible Investments, the maturity, redemption date or purchase date at the option of the holder of which shall coincide as nearly as practicable with the times at which moneys are received by the Authority for the purposes of such fund. Notwithstanding the foregoing, moneys in the MBIA Insured Revenue Sharing Bond Account of the Revenue Fund, the MBIA Insured Revenue Sharing Bond Loan Account of the Loan Fund or the MBIA Insured Revenue Sharing Bond Reserve Account of the Reserve Fund shall be invested only in those Eligible Investments which are designated to the Trustee in writing by an Authorized Officer of the

Authority and approved in writing by MBIA; provided that such designation may be changed from time to time by an Authorized Officer of the Authority with the written approval of MBIA.

Obligations purchased as an investment of moneys in any fund or account held by the Authority, the Depository or the Trustee under the provisions of the Resolution shall be deemed at all times to be a part of such fund or account; provided that the income or interest earned by, or increment to, any fund or account shall be transferred as provided in the Resolution.

In computing the amount in any fund or account held by the Authority, the Depository or the Trustee under the provisions of the Resolution, obligations purchased as an investment of moneys therein shall be valued at the lower of market or cost as adjusted by amortization of the discount or premium paid upon purchase of such obligations ratably to their respective maturities.

The Authority, the Depository or the Trustee shall sell at the best price obtainable, or present for redemption, any obligation purchased by it as an investment whenever it shall be necessary in order to provide moneys to meet any payment or transfer from the fund or account for which such investment was made. The Depository and the Trustee shall advise the Authority in writing, on or before the 15th day of each calendar month, of the details of all investments held for the credit of each fund and account in its custody under the provisions of the Resolution as of the end of the preceding month or such other interval as directed in writing by an Authorized Officer of the Authority.

Liability of Trustee, Depository and Authority for Investments

Neither the Depository, the Trustee nor the Authority shall be liable or responsible for the making of any investment authorized by the provisions of the Resolution, in the manner therein provided, or for any loss resulting from any such investment so made.

The Trustee and the Depository

The Trustee and the Depository with respect to the Bonds shall file with the Authority its acceptance of the trusts and obligations imposed upon it by the Resolution and agrees to perform such trusts and obligations, but only upon and subject to, among others, the following express terms and conditions:

(1) The Trustee, prior to the occurrence of an Event of Default and after the curing of all Events of Default which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in the Resolution. In case an Event of Default has occurred (which has not been cured or waived) the Trustee shall exercise such of the rights and powers vested in it by the Resolution (and, with respect to the MBIA Insured Revenue Sharing Bonds only, use the same degree of care and skill in their exercise as a prudent corporate trustee would exercise or use in the circumstances in the conduct of that corporate trustee's own affairs).

(2) The Trustee may execute any of the trusts or powers of the Resolution and perform any of its duties by or through attorneys, agents, receivers or employees, and shall be entitled to act upon the opinion or advice of its counsel concerning all matters thereof, and may in all cases be reimbursed under the Resolution for reasonable compensation paid to all such attorneys, agents, receivers and employees as may reasonably be employed in connection with the trust thereof. The Trustee may act upon an opinion of counsel and shall not be responsible for any loss or damage resulting from any action or nonaction by it taken or omitted to be taken in good faith in reliance upon such opinion of Counsel.

(3) The permissive right of the Trustee to do things enumerated in the Resolution shall not be construed as a duty and the Trustee shall not be answerable for other than its gross negligence or willful default. The immunities and exceptions from liability of the Trustee shall extend to its officers, directors, employees and agents.

(4) Before taking any action under the Resolution, whether permissive or mandatory, the Trustee may require that reasonable security and/or a reasonably satisfactory indemnification be furnished for the reimbursement of all reasonable expenses to which it may be put and to protect it against all liability, except liability which is adjudicated to have resulted from its gross negligence or willful misconduct.

Covenants of the Authority

Under the Resolution, the Authority covenants and agrees with the Bondholders as follows:

(1) The Authority shall duly and punctually pay or cause to be paid the principal or Redemption Price of every Bond and the interest, if any, thereon, at the dates and places and in the manner provided in the Bond, according to the true intent and meaning thereof.

(2) The Authority is duly authorized pursuant to law to issue the Bonds and to adopt the Resolution and to pledge the Pledged Funds, and other moneys, securities, funds and property pledged by the Resolution in the manner and to the extent provided by the Resolution or a Supplemental Resolution. The Pledged Funds, Security, and other moneys, securities, funds and property so pledged are and will be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to, or of equal rank with, the pledge created by the Resolution except as otherwise provided in the Resolution or a Supplemental Resolution, and all action on the part of the Authority to that end will be duly and validly taken. The Bonds and the provisions of the Resolution are and will be the valid and legally enforceable obligations of the Authority in accordance with their terms and the terms of the Resolution and the Supplemental Resolutions providing for the issuance of Bonds. The Authority shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the Pledged Funds, Security, and other moneys, securities, funds and property pledged under the Resolution and all the rights of the Bondholders and the Trustee under the Resolution against all claims and demands of all persons whomsoever.

(3) The Authority shall keep proper books of record and account in which complete and correct entries shall be made of its transactions relating to all Municipal Obligations, payments thereof and all funds and accounts established by the Resolution, which shall, except as otherwise provided by law, at all reasonable times be subject to the inspection by the Trustee, MBIA and the owners of an aggregate of not less than fifty-one percent (51%) in principal amount of the Bonds Outstanding or their representatives duly authorized in writing.

(4) The Authority shall not at any time insist upon or plead in any manner whatsoever, or claim or take the benefit of any stay or extension law now or at any time hereafter in force which may affect the covenants and agreements contained in the Resolution, or in the Bonds, and all benefit or advantage of any such law or laws is expressly waived by the Authority.

(5) The Authority shall not hereafter create or permit the creation of or issue any obligations or create any additional indebtedness, other than the Bonds, secured by a charge and lien on the Pledged Funds, and other moneys, securities, funds and property pledged by the Resolution except as provided in the Resolution or Supplemental Resolution.

(6) The Authority shall diligently take all reasonable steps, actions and proceedings necessary for the enforcement of all terms covenants and conditions of purchases made by the Authority which shall affect the prompt collection of payments under the Municipal Obligations including the enforcement of the Municipal Obligations. Whenever it shall be necessary in order to protect and enforce the rights of the Authority under a Municipal Obligation and to protect and enforce the rights and interests of Bondholders under the Resolution the Authority shall commence proceedings against the Governmental Unit in default under the provisions of Municipal Obligations in protection and enforcement of its rights under such Municipal Obligations and bring appropriate action to collect any unpaid balance due on the Municipal Obligations.

(7) Notwithstanding any other provision of the Resolution, the Authority shall not permit at any time or times any of the proceeds of the Bonds or any other funds of the Authority to be used directly or indirectly to acquire any investment property, the acquisition of which would cause any of the Bonds to be an “arbitrage bond” as defined in Section 148(a) of the Code. The Authority covenants and agrees that to the extent permitted by law, it shall take all actions within its control necessary to maintain and shall not take any actions the taking of which would adversely affect the exclusion of the interest on the Bonds from gross income for federal income tax purposes including but not limited to, actions relating to the rebate of arbitrage earnings and the expenditure and investment of Bond proceeds and money deemed to be Bond proceeds, all as more fully set forth in the Non-Arbitrage and Tax Compliance Certificate. Amounts required to be deposited in the Rebate Fund shall be determined by or at the direction of the Authority at such times as are required by the Non-Arbitrage And Tax Compliance Certificate. To the extent the Authority determines that there are excess moneys in the Rebate Fund, such excess moneys shall be paid to the Authority.

Without limitation to the foregoing, the Authority covenants and agrees to pay to the United States (but only to the extent of moneys available therefor under the Resolution) any amount required to be paid by the Authority to the United States pursuant to Section 148(f) of the Code, at the times, in the amounts and at the places required thereby in order to maintain the exclusion of the interest on the Bonds from gross income for purposes of federal income taxation.

(8) The Authority shall not permit at any time or times any of the proceeds of the Bonds or any other funds of the Authority to be used directly or indirectly in a manner which would result in the exclusion of the Bonds from the treatment afforded by Section 103(a) of the Code for any reason including without limitation by reason of the classification of such Bonds as “private activity bonds” within the meaning of Section 141(a) of the Code, or as federally guaranteed bonds as provided in Section 149(b) of the Code.

Supplemental Resolutions

Supplemental Resolutions Not Requiring Consent of Bondholders

The Authority may, without the consent of or notice to any of the Bondholders and for any one or more of the following purposes, adopt at any time any Supplemental Indenture or Indentures, which shall be effective upon execution and delivery by the Trustee and the Authority, or any Resolution or Supplemental Resolution, which shall become effective in accordance with its terms upon the filing with the Trustee of a copy thereof, certified by an Authorized Officer of the Authority:

- (a) to cure any ambiguity or formal defect or omission in the Resolution;

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

(c) to subject to the Resolution additional revenues, properties or collateral;

(d) to modify, amend or supplement the Resolution or any resolution supplemental thereto in such manner as to permit the qualification thereof under the Trust Indenture Act of 1939 or any similar federal statute hereafter in effect or to permit the qualification of the Bonds for sale under the securities laws of the United States of America or of any of the states of the United States of America, and, if they so determine, to add to the Resolution or any resolution supplemental thereto such other terms, conditions and provisions as may be permitted by said Trust Indenture Act of 1939 or similar federal statute;

(e) to evidence the appointment of a separate or the succession of a new Trustee, Bond Registrar and Paying Agent, Co-Paying Agent or Depository under the Resolution;

(f) to satisfy the requirements of Moody's or S&P or other national rating agencies rating the Bonds in order to obtain, maintain or improve the rating on any of the Bonds;

(g) to provide for the orderly sale of Bonds or purchase of Municipal Obligations;

(h) to maintain the exclusion of interest on the Bonds from gross income for federal income tax purposes, to prevent interest on the Bonds from being subject to any alternative minimum tax (other than an alternative minimum tax which applies to all tax-exempt bonds generally) and to maintain the exemption of the Bonds and the interest thereon from State taxation;

(i) to provide for additional or different Types of Bonds;

(j) to issue refunding bonds pursuant to the Resolution;

(k) to reduce or eliminate the Reserve Account Requirement with respect to any Type of Bonds if such reduction or elimination is otherwise permitted under the Resolution;

(l) to provide for the issuance of any Series or Group of Bonds and to prescribe the terms and conditions pursuant to which such Bonds may be issued, paid or redeemed;

(m) to provide for the issuance of Bonds of any Type bearing interest at variable interest rates, or with variable interest periods or subject to mandatory purchase at the option of the Owner thereof;

(n) to provide for the purchase of bond insurance or other credit or liquidity support for any Bond;

(o) to provide for the purchase or acquisition of one or more Reserve Account Security Instruments;

(p) to effect any other changes in the Resolution which, in the judgment of the Trustee, are not to the prejudice of the Trustee or the Bondholders; and

(q) to accomplish, implement, or give effect to any other action which is authorized or required by the Resolution.

Supplemental Resolutions Requiring Consent of Bondholders

The owners of not less than two-thirds in aggregate principal amount of the Bonds Outstanding which are affected shall have the right, from time to time, anything contained in the Resolution to the contrary notwithstanding, to consent to and approve the adoption by the Authority and the acceptance by the Trustee of such other supplemental resolution or resolutions and Supplemental Indentures as shall be deemed necessary and desirable by the Trustee for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions affecting or relating to such Type of Bonds contained in the Resolution or in any Supplemental Resolution; provided, however, that there shall not be permitted, other than in accordance with the Resolution and the terms of the Bonds with respect to each Type of Bonds (1) without the consent of the owners of all then Outstanding Bonds of such type, (a) an extension of the maturity date of the principal of or the interest Payment Date for interest on any Bond of such type, or (b) a reduction in the principal amount of any Bond of such type or the rate of interest thereon, or (c) a privilege or priority of any Bond or Bonds of a Type over any other Bond or Bonds of the same Type, or (d) a reduction in the aggregate principal amount of the Bonds required for consent to such Supplemental Resolution, or (e) the creation of any lien other than a lien ratably securing all of the Bonds of the same Type at any time Outstanding under the Resolution, or (2) any modification of the trusts, powers, rights, obligations, duties, remedies, immunities and privileges of the Trustee or Depository without the written consent of the Trustee or the Depository, respectively.

If at any time the Authority shall request the Trustee to accept any such Supplemental Resolution, the Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of the proposed Supplemental Resolution to be mailed by registered or certified mail to MBIA and each owner of a Bond at the address shown on the registration books. Such notice shall briefly set forth the nature of the proposed Supplemental Resolution and shall state that copies thereof are on file at the principal corporate trust office of the Trustee for inspection by all Bondholders. If, within 60 days, or such longer period as shall be prescribed by the Authority, following the mailing of such notice, the owners of not less than two-thirds in aggregate principal amount of the Bonds of each Type affected by such Supplemental Resolution Outstanding at the time of the execution of any such Supplemental Resolution shall have consented to and approved the adoption thereof as provided in the Resolution, no owner of any Bond shall have any right to object to any of the terms and provisions contained in such proposed Supplemental Resolution, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the Authority from executing the same or from taking any action pursuant to the provisions thereof. Upon the adoption of any such Supplemental Resolution, the Resolution shall be and be deemed to be modified, supplemented and amended in accordance therewith.

Notice of Amendments

Promptly after the adoption by the Authority of any Supplemental Resolution, the Trustee shall mail a notice, setting forth in general terms the substance thereof, to any Bondholder requesting the same in writing and each Rating Agency then rating the affected Bonds. Any failure to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such Supplemental Resolution.

Supplemental Non-Arbitrage and Tax Compliance Certificates

The Authority may, from time to time and at any time, amend, supplement or modify the Non-Arbitrage and Tax Compliance Certificate, to the extent permitted by law, to maintain the exclusion

of the interest on the Bonds from gross income for purposes of federal income taxation under the Code; provided however the Authority shall receive the opinion of Bond Counsel stating that such amendment, supplement or modification is necessary or desirable to maintain such exclusion of the interest on the Bonds (or the exclusion of the interest on the Municipal Obligations) prior to amending, supplementing or modifying the Non-Arbitrage and Tax Compliance Certificate.

Consent of MBIA

Notwithstanding any other provision of the Resolution, for so long as any Reserve Account is funded in whole or in part by a Reserve Account Security Instrument issued by MBIA or a Municipal Bond Guaranty Insurance Policy is in effect and MBIA is not in default of payment obligations thereunder, the Authority shall not amend or approve the amendment of (i) any provision of the Resolution relating to the Bonds secured thereby, (ii) any corresponding Municipal Obligation, (iii) any Collateral Document relating to a corresponding Municipal Obligation, or (iv) any Revenue Sharing Pledge Agreement or Pledge Agreement relating to a corresponding Municipal Obligation, without the prior written consent of MBIA.

Defaults and Remedies

Events of Default

Each of the following events is an “Event of Default” under the Resolution:

(a) Default in the payment of the principal of or interest on any Bond after the same shall become due, whether at maturity, stated date of payment or upon call for redemption, provided that an Event of Default shall be deemed to exist only with respect to those Bonds of the same Type as the Bond with respect to which such failure occurred and provided further that for purposes of determining whether an Event of Default has occurred or is continuing under this paragraph (a), payments by AMBAC Assurance under any AMBAC Insurance Policy shall not be taken into account; or

(b) With respect to each Type of Bonds, the Authority shall default in the performance or observance of any other of the covenants, agreements or conditions on its part in the Resolution, or in the Bonds of such Type contained and continuance of such default for a period of ninety (90) days after written notice thereof by the Trustee or the owners of not less than fifty-one percent (51%) in principal amount of the Outstanding Bonds of such Type, or in the case of MBIA Insured Revenue Sharing Bonds, MBIA, or in the case of AMBAC Insured Bonds, AMBAC Assurance, provided, however, that an Event of Default shall not be deemed to exist under the provisions of this clause (b) so long as the Authority shall be provided with or have moneys sufficient in amount to pay the principal of and interest on all Bonds of such Type and expenses authorized to be paid under the Resolution as the same shall become due.

Remedies

With respect to each Type of Bonds:

(a) Upon the happening and continuance of any Event of Default, then, and in each such case the Trustee may (and in the case of MBIA Insured Revenue Sharing Bonds, with the written consent of MBIA) (and in the case of AMBAC Insured Bonds, with the prior written consent of AMBAC Assurance) proceed, and upon the written request of the Holders of not less than fifty-one percent (51%) in principal amount of the Outstanding Bonds, or, in the case of MBIA Insured Revenue Sharing Bonds, MBIA (provided that if both MBIA and the Holders of not less than fifty-one percent (51%) in principal

amount of the Outstanding Bonds make such written request, the request of not less than fifty-one percent (51%) in principal amount of the Outstanding Bonds shall control) or, in the case of AMBAC Insured Bonds, AMBAC Assurance (provided that if both AMBAC Assurance and the Holders of not less than fifty-one percent (51%) in principal amount of the Outstanding Bonds make such written request, the request of not less than fifty-one percent (51%) in principal amount of the Outstanding Bonds shall control), shall proceed, in its own name, to protect and enforce its rights and the rights of the Bondholders by such of the following remedies as the Trustee shall deem most effectual to protect and enforce such rights at the direction and with the consent of MBIA (in the case of MBIA Insured Revenue Bonds) and at the direction and with the consent of AMBAC Assurance (in the case of AMBAC Insured Bonds):

(1) by mandamus or other suit, action or proceedings at law or in equity, to enforce the rights of the Bondholders; and to require the Authority to carry out any other agreement with Bondholders and to perform its duties under the Act and the Executive Order;

(2) by bringing suit upon the Bonds;

(3) by action or suit, requiring the Authority to account as if it were the trustee of an express trust for the Holders of Bonds;

(4) 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;

(5) by requiring the Authority to enforce the rights of the Authority under Municipal Obligations or, if not prohibited by Supplemental Resolution, to sell the Municipal Obligations;

(6) by bringing an action or suit to obtain any other remedy available at law or equity;

(7) if not prohibited by Supplemental Resolution, by declaring all Bonds, of the Type or Types with respect to which an Event of Default is deemed to exist, due and payable; and if all defaults shall have been cured, then, with the written consent of the Holders of not less than fifty-one percent (51%) in principal amount of the Outstanding Bonds of such Type (and in the case of AMBAC Insured Bonds, the prior written consent of AMBAC Assurance) to annul such declaration and its consequences; and provided that in the case of MBIA Insured Revenue Sharing Bonds, no acceleration shall be declared pursuant to this clause without the prior written consent of MBIA, and provided further that in the case of AMBAC Insured Bonds, no acceleration shall be declared pursuant to this clause without the prior written consent of AMBAC Assurance.

(b) The Trustee shall give notice of any Event of Default to the Authority and MBIA with respect to MBIA Insured Revenue Sharing Bonds and AMBAC Assurance with respect to AMBAC Insured Bonds, in the event of default as promptly as practicable after the occurrence of an Event of Default becomes known to the Trustee, and shall give notice in writing to the Governor of the State, the State Treasurer, the Attorney General of the State and the Authority not less than thirty days prior to declaring the principal of the Bonds due and payable after an Event of Default.

(c) In the enforcement of any remedy under the Resolution, the Trustee shall be entitled to sue for, enforce payment on and receive any and all amounts then or during any default becoming, and any time remaining, due from the Authority for principal, interest or otherwise, under any provision of the Resolution or of the Bonds, and unpaid, together with any and all costs and expenses of collection and of all proceedings thereunder and under the Bonds, without prejudice to any other right or remedy of the Trustee or of the Bondholders, and to recover and enforce judgment or decree against the Authority for any portion of such amounts remaining unpaid, with interest, costs and expenses, and to collect from Pledged Funds, in any manner provided by law, the moneys adjudged or decreed to be payable.

Application of Moneys

(a) With respect to Bonds of each Type all moneys received by the Trustee pursuant to any right given or action taken upon an Event of Default, including by virtue of action taken under provisions of any Bond or Municipal Obligation, shall, after payment of the reasonable costs and expenses of the proceedings resulting in the collection of such moneys and of the reasonable expenses, liabilities and advances incurred or made by the Trustee, be applied, along with any other moneys available for such purposes, unless the principal of all the Bonds of such Type shall have become due and payable:

FIRST—To the payment to the persons entitled thereto of installments of interest in the order of maturity of the installments of such interest and, if the amount available shall not be sufficient to pay in full any particular installment of interest, then to the payment ratably, according to the amounts due on such installment to the persons entitled thereto, without any discrimination or privilege;

SECOND—To the payment to the persons entitled thereto of the unpaid principal of any of the Bonds which shall have become due at stated maturity or pursuant to a call for redemption (other than Bonds called for redemption for the payment of which moneys are held pursuant to the other provisions of the Resolution), in the order of their due dates and, if the amount available shall not be sufficient to pay in full Bonds due on any particular date, then to the payment ratably, according to the amount of principal due on such date, to the persons entitled thereto without any discrimination or privilege;

THIRD—To be held as provided under the heading “Pledge and Establishment of Funds and Accounts” above for the payment to the persons entitled thereto as the same shall become due of the amounts payable pursuant to the Resolution; provided, that payments made under a Municipal Bond Guaranty Insurance Policy issued with respect to MBIA Insured Revenue Sharing Bonds shall only be used for payments of principal of and interest on the MBIA Insured Revenue Sharing Bonds in accordance with the terms of the Municipal Bond Guaranty Insurance Policy; and provided further that payments made under an AMBAC Insurance Policy issued with respect to the AMBAC Insured Bonds shall only be used for payments of principal and interest on the AMBAC Insured Bonds in accordance with the terms of the AMBAC Insurance Policy.

(b) If the principal of all the Bonds of any Type shall have become due, all such moneys shall be applied to the payment of the principal and interest then due and unpaid upon such Bonds and amounts payable as described in paragraphs (2) through (4) under “The Revenue Fund” under this caption, with principal and interest to be paid first without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or privilege, and then amounts payable

as described in paragraphs (2) through (4) under “The Revenue Fund” under this caption to be paid second.

Whenever moneys are to be applied by the Trustee pursuant to the provisions described above, such moneys shall be applied by the Trustee at such times, and from time to time, as the Trustee in its sole discretion shall determine (provided, however, that in the case of AMBAC Insured Bonds such determination shall only be made with the prior written consent of AMBAC Assurance), having due regard to the amount of such moneys available for application and the likelihood of additional money becoming available for such application in the future; the deposit or otherwise setting aside such moneys in trust for the proper purpose, shall constitute proper application by the Trustee; and the Trustee shall incur no liability whatsoever to the Authority, to any Bondholder or to any other person for any delay in applying any such moneys, so long as the Trustee acts with reasonable diligence, having due regard for the circumstances, and ultimately applies the same in accordance with such provisions of the Resolution as may be applicable at the time of application by the Trustee. Whenever the Trustee shall exercise such discretion in applying such moneys, it shall fix the date upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such date shall cease to accrue. The Trustee shall give such notice as it may deem appropriate for the fixing of any such date. The Trustee shall not be required to make payment of principal to any Bondholders unless such Bond shall be presented to the Trustee.

Termination of Proceedings

In case any proceeding taken by the Trustee on account of any Event of Default shall have been discontinued or abandoned for any reason or determined adversely to the Trustee, then in every such case the Authority, the Trustee, MBIA, AMBAC Assurance, and the Bondholders shall be restored to their former positions and rights under the Resolution, respectively, and all rights, remedies, powers and duties of the Trustee, the Authority, MBIA, AMBAC Assurance, and the Bondholders shall continue as though no such proceeding had been taken.

Bondholders' Direction of Proceedings

Anything in the Resolution to the contrary notwithstanding, the Holders of fifty-one percent (51%) in principal amount of the Bonds Outstanding of any Type, and, in the case of MBIA Insured Revenue Sharing Bonds (but only if no inconsistent direction is given by the Owners of not less than fifty-one percent (51%) in principal amount of MBIA Insured Revenue Sharing Bonds), MBIA, and, in the case of AMBAC Insured Bonds (but only if no inconsistent direction is given by owners of not less than fifty-one percent (51%) in principal amount of AMBAC Insured Bonds), AMBAC Assurance, shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, to direct the time, method and place of conducting all remedial proceedings with respect to Bonds of such Type to be taken by the Trustee under the Resolution, provided that such direction shall not be otherwise than in accordance with law and the provisions of the Resolution and any applicable Supplemental Resolution, 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 Bondholders not parties to such direction.

Limitation on Rights of Bondholders

With respect to Bonds of any Type, no Holder of any Bond shall have any right to institute any suit, action or other proceeding under the Resolution, or for the protection or enforcement of any right thereunder or any right under law unless such Bondholder 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,

and unless the Holders of not less than fifty-one percent (51%) in principal amount of the Bonds Outstanding of such Type, with the consent of MBIA with respect to the MBIA Insured Revenue Sharing Bonds, and with the consent of AMBAC Assurance with respect to AMBAC Insured Bonds, shall have made written request of the Trustee after the right to exercise such powers or right of action, as the case may be, shall have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted in the Resolution or granted under the law or to institute such action, suit or proceeding in its name and unless, also, there shall have been offered to the Trustee reasonable security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused or neglected to comply with such request within a reasonable time; and such notification, request and offer of indemnity are thereby declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of the powers under the Resolution or for any other remedy thereunder or under law. It is understood and intended that no one or more Bondholders thereby secured shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Resolution, or to enforce any right thereunder or under law with respect to the Bonds or the Resolution, except in the manner therein provided, and all proceedings shall be instituted, had and maintained in the manner therein provided and for the benefit of all Holders of the Outstanding Bonds of each Type. Notwithstanding the foregoing provisions, the obligation of the Authority shall be absolute and unconditional to pay the principal of and interest on the Bonds to the respective Holders thereof at the respective due dates thereof and nothing in the Resolution shall affect or impair the right of action, which is absolute and unconditional, of such Holders to enforce such payment.

Each Holder of any Bond by his acceptance thereof 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 under the Resolution 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 in any such suit, having due regard to the merits and good faith of the claims or defenses 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 Bondholder, or group of Bondholders, holding at least fifty-one percent (51%) in principal amount of the Bonds Outstanding of the Type to which such suit relates, or to any suit instituted by any Bondholder for the enforcement of the payment of the principal or interest on any Bond on or after the respective due date thereof expressed in such Bond.

Possession of Bonds by Trustee Not Required

All rights of action under the Resolution or under any of the Bonds, enforceable by the Trustee, may be enforced by it without the possession of any of the Bonds or the production thereof on the trial or other proceeding relative thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in its name for the benefit of all the Holders of such Bonds, subject to the provisions of the Resolution.

Remedies Not Exclusive

No remedy conferred upon or reserved to the Trustee or to the Holders of the Bonds or MBIA with respect to MBIA Insured Revenue Sharing Bonds, or AMBAC Assurance with respect to AMBAC Insured Bonds, is intended to be exclusive of any other remedy or remedies, and each and every such remedy shall be cumulative and shall be in addition to any other remedy given under the Resolution or thereafter existing at law or in equity or by statute.

No Waiver of Default

No delay or omission of the Trustee or of any Holder of the Bonds or MBIA with respect to MBIA Insured Revenue Sharing Bonds, or AMBAC Assurance with respect to AMBAC Insured Bonds, to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein; and every power and remedy given by the Resolution to the Trustee, and the Holders of the Bonds, MBIA, or AMBAC, respectively, may be exercised from time to time and as often as may be deemed expedient.

Notice of Event of Default

With respect to the Bonds of each Type, the Trustee shall give to the Owners of such Bonds notice of each Event of Default respecting such Bonds known to the Trustee as soon as reasonably practicable after knowledge of the occurrence thereof, unless such Event of Default shall have been remedied or cured before the giving of such notice. Each such notice of Event of Default shall be given by the Trustee by mailing written notice thereof by first class mail to all registered owners of such Bonds, as the names and addresses of such owners appear upon the books for registration and transfer of Bonds as kept by the Bond Registrar and Paying Agent.

Defeasance

Any Bond will be deemed to be paid within the meaning of the Resolution when (a) payment of the principal of such Bond, plus interest thereon to the due date thereof (whether such due date is by reason of maturity or upon redemption), either (i) has been made or caused to be made in accordance with the terms thereof, or (ii) has been provided for by irrevocably depositing with the Depository or the Trustee in trust and irrevocably setting aside exclusively for such payment sufficient moneys to make such payment and/or Government Obligations maturing as to principal and interest in such amounts and at such times as will insure the availability of sufficient moneys to make such payments, and (b) all necessary and proper fees, premiums, compensation and expenses of the Trustee, the Depository, Bond Registrar and Paying Agent, Co-Paying Agent, the Authority, and any co-registrar or transfer agent pertaining to the Bonds with respect to which such deposit is made have been paid or the payment thereof provided for to the satisfaction of the Trustee. At such times as a Bond is deemed to be paid under the Resolution, as aforesaid, such Bond will no longer be secured by or entitled to the benefits of the Resolution, except with respect to provisions relating to the payment of the principal of and interest on such Bond from such moneys or Government Obligations and the related duties of the Depository, Bond Registrar and Paying Agent or the Trustee.

Notwithstanding the foregoing paragraph, no deposit described under clause (a) (ii) of such paragraph will be deemed a payment of such Bonds (1) until the Authority has given the Trustee, in form satisfactory to the Trustee, irrevocable instructions: (i) stating the date when the principal or each such Bonds is to be paid, whether at maturity or on a redemption date, (ii) to call for redemption pursuant to the Resolution any Bonds to be redeemed prior to maturity and (iii) if all the Bonds to be redeemed are not to be redeemed within 30 days, to mail, as soon as practicable, in the manner prescribed by the Resolution for notices of redemption, a notice to the owners of such Bonds that the deposit required by (a)(ii) has been made with the Depository or the Trustee and that said Bonds are deemed to have been paid and stating the maturity or redemption date upon which moneys are to be available for the payment of the principal or Redemption Price, if applicable, on said Bonds; and (2) if any Bonds are to be redeemed within the next 30 days, until proper notice of redemption of those Bonds shall have been given.

Notwithstanding any other provision described under this subheading, in the event that the principal and/or interest due on any MBIA Insured Revenue Sharing Bonds shall be paid by MBIA pursuant to a Municipal Bond Guaranty Insurance Policy, such Bonds shall continue to exist and MBIA shall be subrogated to the rights of such registered owners.

Notwithstanding any other provision under this subheading, in the event that the principal and/or interest due on any AMBAC Insured Bonds shall be paid by AMBAC Assurance pursuant to an AMBAC Insurance Policy, such AMBAC Insured Bonds, shall remain Outstanding, not by reason of such payment be considered defeased or paid by the Authority and the assignment and pledge of the Security and all covenants, agreements and other obligations of the Authority to the registered owners of such AMBAC Insured Bonds shall continue to exist and AMBAC Assurance shall be subrogated to the rights of such registered owners.

Notwithstanding the foregoing paragraph, (a), no deposit under (ii) of clause (a) above will be deemed a payment of AMBAC Insured Bonds unless (A) the sufficiency of the escrowed cash and non-callable Government Obligations to provide for the payment of debt service on such AMBAC Insured Bonds has been verified in full (the "Verification") by an independent nationally recognized certified public accountant and (B) AMBAC Assurance has been provided a copy of the Verification, an executed copy of the escrow agreement and an opinion of Bond Counsel to the effect that such Bonds are no longer "Outstanding" under the Resolution, each of which shall be in form and substance acceptable to AMBAC Assurance.

Provisions Relating to AMBAC Insured Bonds

Any provision of the Resolution expressly recognizing or granting rights in or to AMBAC Assurance may not be amended in any manner which affects the rights of AMBAC Assurance hereunder without the prior written consent of AMBAC Assurance.

Unless otherwise provided in this Section, AMBAC Assurance's consent shall be required in addition to Bondholder consent, when required, for the following purposes: (i) execution and delivery of any supplemental resolution or any amendment, supplement or change to or modification of the Resolution affecting the AMBAC Insured Bonds; (ii) removal of the Trustee or paying Agent for the AMBAC Insured Bonds and selection and appointment of any successor trustee or paying agent for the AMBAC Insured Bonds; and (iii) initiation or approval of any action not described in (i) or (ii) above which requires Bondholder consent.

To the extent permitted by law, anything in the Resolution to the contrary notwithstanding, upon the occurrence and continuance of an event of default as defined herein with respect to the AMBAC Insured Bonds, AMBAC Assurance shall be entitled to control and direct the enforcement of all rights and remedies granted to the Bondholders or the Trustee for the benefit of the Bondholders under the Resolution, including, without limitation: (i) the right to accelerate the principal of the AMBAC Insured Bonds as described in the Resolution and (ii) the right to annul any declaration of acceleration with respect to the AMBAC Insured Bonds, and AMBAC Assurance shall also be entitled to approve all waivers of events of default with respect to the AMBAC Insured Bonds.

Upon the occurrence of an event of default, the Trustee may, with the consent of AMBAC Assurance, and shall, at the direction of AMBAC Assurance or 51% of the Bondholders with the consent of AMBAC Assurance, by written notice to the Authority and AMBAC Assurance, declare the principal of the AMBAC Insured Bonds to be immediately due and payable, whereupon that portion of the principal of the AMBAC Insured Bonds thereby coming due and the interest thereon accrued to the date

of payment shall, without further action, become and be immediately due and payable, anything in the Resolution or in the AMBAC Insured Bonds to the contrary notwithstanding.

While the AMBAC Insurance Policy is in effect, the Authority or the Trustee [as appropriate] shall furnish to AMBAC Assurance:

(a) as soon as practicable after the filing thereof, a copy of any financial statement of the Authority and a copy of any audit and annual report of the Authority;

(b) a copy of any notice to be given to the registered owners of the AMBAC Insured Bonds, including, without limitation, notice of any redemption or defeasance of AMBAC Insured Bonds, and any certificate rendered pursuant to the Resolution relating to the security for the AMBAC Insured Bonds; and

(c) such additional information it may reasonably request.

The Trustee or Authority [as appropriate] shall notify AMBAC Assurance of any failure of the Authority to provide relevant notices, certificates, etc.

The Authority will permit AMBAC Assurance to discuss the affairs, finances and accounts of the Authority or any information AMBAC Assurance may reasonably request regarding the security for the AMBAC Insured Bonds with appropriate officers of the Authority. The Trustee or Authority [as appropriate] will permit AMBAC Assurance to have access to and to make copies of all books and records relating to the AMBAC Insured Bonds at any reasonable time except as otherwise provided by law.

AMBAC Assurance shall have the right to direct an accounting at the Authority's expense, and the Authority's failure to comply with such direction within thirty (30) days after receipt of written notice of the direction from AMBAC Assurance shall be deemed a default hereunder; provided, however, that if compliance cannot occur within such period, then such period will be extended so long a compliance is begun within such period and diligently pursued, but only if such extension would not materially adversely affect the interests of any registered owner of the AMBAC Insured Bonds.

Notwithstanding any other provision of the Resolution, the Trustee or Authority as appropriate shall immediately notify AMBAC Assurance if at any time there are insufficient moneys to make any payments of principal and/or interest at required and immediately upon the occurrence of any event of default hereunder.

As long as the AMBAC Insurance Policy shall be in full force and effect, the Authority, the Trustee and any Paying Agent agree to comply with the following provisions:

(a) At least one (1) day prior to all Interest Payment Dates the Trustee or Paying Agent, if any, will determine whether there will be sufficient funds in the Funds and Accounts to pay the principal of or interest on the AMBAC Insured Bonds on such Interest Payment Date. If the Trustee or Paying Agent, if any, determines that there will be insufficient funds in such Funds or Accounts, the Trustee or Paying Agent, if any, shall so notify AMBAC Assurance. Such notice shall specify the amount of the anticipated deficiency, the AMBAC Insured Bonds to which such deficiency is applicable and whether such AMBAC Insured Bonds will be deficient as to principal or interest, or both. If the Trustee or Paying Agent, if any, has not so notified AMBAC Assurance at least one (1) day prior to an Interest Payment Date, AMBAC Assurance will make

payments of principal or interest due on the AMBAC Insured Bonds on or before the first (1st) day next following the date on which AMBAC Assurance shall have received notice of nonpayment from the Trustee or Paying Agent, if any.

(b) The Trustee or Paying Agent, if any, shall, after giving notice to AMBAC Assurance as provided in (a) above, make available to AMBAC Assurance and, at AMBAC Assurance's direction, to the United States Trust Company of New York, as insurance trustee for AMBAC Assurance or any successor insurance trustee (the "Insurance Trustee"), the registration books of the Authority maintained by the Trustee or Paying Agent, if any, and all records relating to the Funds and Accounts for the AMBAC Insured Bonds maintained under the Resolution.

(c) The Trustee or Paying Agent, if any, shall provide AMBAC Assurance and the Insurance Trustee with a list of registered owners of AMBAC Insured Bonds entitled to receive principal or interest payments from AMBAC Assurance under the terms of the AMBAC Insurance Policy, and shall make arrangements with the Insurance Trustee (i) to mail checks or drafts to the registered owners of AMBAC Insured Bonds entitled to receive full or partial interest payments from AMBAC Assurance and (ii) to pay principal upon AMBAC Insured Bonds surrendered to the Insurance Trustee by the registered owners of AMBAC Insured Bonds entitled to receive full or partial principal payments from AMBAC Assurance.

(d) The Trustee or Paying Agent, if any, shall, at the time it provides notice to AMBAC Assurance pursuant to (a) above, notify registered owners of AMBAC Insured Bonds entitled to receive the payment of principal or interest thereon from AMBAC Assurance (i) as to the fact of such entitlement, (ii) that AMBAC Assurance will remit to them all or a part of the interest payments next coming due upon proof of Bondholder entitlement in form satisfactory to the Insurance Trustee, of an appropriate assignment of the registered owner's right to payment, (iii) that should they be entitled to receive full payment of principal from AMBAC Assurance, they must surrender their AMBAC Insured Bonds (along with an appropriate instrument of assignment in form satisfactory to the Insurance Trustee to permit ownership of such AMBAC Insured Bonds to be registered in the name of AMBAC Assurance) for payment to the Insurance Trustee, and not the Trustee or Paying Agent, if any, and (iv) that should they be entitled to receive partial payment of principal from AMBAC Assurance, they must surrender their AMBAC Insured Bonds for payment thereon first to the Trustee or Paying Agent, if any, who shall note on such AMBAC Insured Bonds the portion of the principal paid by the Trustee or Paying Agent, if any, and then, along with an appropriate instrument of assignment in form satisfactory to the Insurance Trustee, to the Insurance Trustee, which will then pay the unpaid portion of principal.

(e) In the event that the Trustee or Paying Agent, if any, has noticed that any payment of principal of or interest on an AMBAC Insured Bond which has become Due for Payment and which is made to a Bondholder by or on behalf of the Authority has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with the final, nonappealable order of a court having competent jurisdiction, the Trustee or Paying Agent, if any, shall, at the time AMBAC Assurance is notified pursuant to (a) above, notify all registered owners that in the event that any registered owner's payment is so recovered, such registered owner will be entitled to payment from AMBAC Assurance to the extent of such recovery if sufficient funds are not otherwise available,

and the Trustee or Paying Agent, if any, shall furnish to AMBAC Assurance its records evidencing the payments of principal of and interest on the AMBAC Insured Bonds which have been made by the Trustee or Paying Agent, if any, and subsequently recovered from registered owners and the dates on which such payments were made.

(f) In addition to those rights granted AMBAC Assurance under the Resolution, AMBAC Assurance shall, to the extent it makes payment of principal of or interest on AMBAC Insured Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the AMBAC Insurance Policy, and to evidence such subrogation (i) in the case of subrogation as to claims for past due interest, the Trustee or Paying Agent, if any, shall note AMBAC Assurance's rights as subrogee on the registration books of the Authority maintained by the Trustee or Paying Agent, if any, upon receipt from AMBAC Assurance of proof of the payment of interest thereon to the registered owners of the AMBAC Insured Bonds, and (ii) in the case of subrogation as to claims for past due principal, the Trustee or Paying Agent, if any, shall note AMBAC Assurance's rights as subrogee on the registration books of the Authority maintained by the Trustee or Paying Agent, if any, upon surrender of the AMBAC Insured Bonds by the registered owners thereof together with proof of the payment of principal thereof.

1. The Trustee (or Paying Agent) may be removed at any time at the request of AMBAC Assurance, for any breach of the trust set forth herein.

2. AMBAC Assurance shall receive prior written notice of any Trustee (or Paying Agent) resignation.

3. Every successor Trustee appointed pursuant to this Section shall be a trust company or bank in good standing located in or incorporated under the laws of the State, duly authorized to exercise trust powers and subject to examination by federal or state authority, having a reported capital or surplus of not less than \$75,000,000 and acceptable to AMBAC Assurance. Any successor Paying Agent, if applicable, shall not be appointed unless AMBAC Assurance approves such successor in writing.

4. Notwithstanding any other provision of the Resolution in determining whether the rights of the Bondholders will be adversely affected by any action taken pursuant to the terms and provisions of the Resolution, the Trustee (or Paying Agent) shall consider the effect on the Bondholders as if there were no AMBAC Insurance Policy.

5. Notwithstanding any other provision of the Resolution, no removal, resignation or termination of the Trustee (or Paying Agent) shall take effect until a successor, acceptable to AMBAC Assurance, shall be appointed.

Nothing in the Resolution expressed or implied is intended or shall be construed to confer upon, or to give to, any person or entity, other than the Authority, the Trustee, AMBAC Assurance, the Paying Agent, if any, and the registered owners of the AMBAC Insured Bonds any right, remedy or claim with respect to the AMBAC Insured Bonds under or by reason of the Resolution or any covenant, condition or stipulation hereof, and all covenants, stipulations, promises and agreements in the Resolution contained with respect to the AMBAC Insured Bonds by and on behalf of the Authority shall be for the sole and exclusive benefit of the Authority, the Trustee, AMBAC Assurance, the Paying Agent, if any, and the registered owners of the AMBAC Insured Bonds.

Provisions Relating to Mandatory Purchase Bonds

Except as otherwise provided, each Mandatory Purchase Bond is subject to mandatory purchase, and the Authority shall purchase or cause to be purchased each Mandatory Purchase Bond, on each Mandatory Purchase Date applicable to such Mandatory Purchase Bond at a price equal to the principal amount thereof plus accrued interest, if any, thereon.

The Bond Registrar and Paying Agent shall mail to each holder of a Mandatory Purchase Bond notice of each Mandatory Purchase Date applicable to Mandatory Purchase Bonds at least 30 days or if 30 days is not practicable on the earliest practicable date before any Mandatory Purchase Date applicable to such Bonds, such notice to include the Mandatory Purchase Price and any Bonds which have been designated for Mandatory Purchase.

The registered owner of any Mandatory Purchase Bond may irrevocably elect to retain such Bond or any portion thereof on any Mandatory Purchase Date if such Bond or portion thereof is in a denomination authorized to be outstanding after such Mandatory Purchase Date by providing written notice to the Bond Registrar and Paying Agent or the Co-Paying Agent of such election. Such Notice of Election to Retain shall be irrevocable and, shall affirmatively acknowledge such matters as shall be specified in the applicable Mandatory Purchase Notice and shall contain the irrevocable agreement by the registered owner of the Bond with respect to which, or a portion of which, such Notice of Election to Retain is given not to tender such Bond, or such portion thereof for purchase pursuant to the provisions of this Resolution on or before the applicable Mandatory Purchase Date except as provided in the following paragraph.

Each Mandatory Purchase Bond (other than a Bond with respect to which a Notice of Election to Retain has been properly given) shall be tendered for purchase on each Mandatory Purchase Date applicable to such Bond at the time referred to in the applicable Mandatory Purchase Notice on the Mandatory Purchase Date, to the Bond Registrar and Paying Agent with an instrument of transfer satisfactory to the Bond Registrar and Paying Agent executed in blank by the registered owner or his attorney or legal representative with the signature guaranteed by a bank, trust company or member firm of the New York Stock Exchange.

Determination of Interest Rates and Interest Periods for Mandatory Purchase Bonds.

(a) Except as otherwise provided, each Mandatory Purchase Bond shall bear interest during each Interest Period applicable to such Mandatory Purchase Bond at the rate determined by the Remarketing Agent on the Rate Determination Date for such Interest Period to be the minimum rate that, in the judgment of the Remarketing Agent, would enable such Remarketing Agent to sell each of the Mandatory Purchase Bonds to which such Rate Determination Date applies, on the first day of such Interest Period, at a price equal to the principal amount thereof plus accrued interest, if any, thereon. Different interest rates may be determined for Mandatory Purchase Bonds having identical or different Interest Periods, and the interest rates may be determined separately for each Series of Bonds. Notwithstanding the foregoing provisions of this paragraph or anything to the contrary in the Resolution:

(A) the interest rate borne by Mandatory Purchase Bonds may not exceed the maximum rate permitted by law;

(B) if any payment of the principal or Redemption Price of or interest on, or the purchase price of, any Mandatory Purchase Bond shall not be made when due, such Mandatory Purchase Bond and all other Mandatory Purchase Bonds with the same Mandatory Purchase Date shall bear interest at the last interest rate borne by such Mandatory Purchase Bonds until such payment is made as provided in the

Resolution, and in such Mandatory Purchase Bonds and the interest rate will not be adjusted as provided in this Section; and

(C) if on any Rate Determination Date for the Mandatory Purchase Bonds the Remarketing Agent does not determine the interest rate for any Interest Period applicable to a Mandatory Purchase Bond as provided in this Section, the interest rate for such Rate Determination Date shall be equal to the interest rate determined on the immediately preceding Rate Determination Date applicable to such Mandatory Purchase Bond for the Interest Period determined on such Rate Determination Date; and

(D) on each Preliminary Rate Determination Date, the Remarketing Agent shall determine the rate or rates or range of rates (the "Rate Indication") which in its judgment would be the rate determined by the Remarketing Agent under this subsection, if such date were the next Rate Determination Date. The Remarketing Agent shall give notice of each Rate Indication for any Bond to the Authority and the Bond Registrar and Paying Agent, on each Preliminary Rate Determination Date. The Bond Registrar and Paying Agent shall give each registered owner of a Mandatory Purchase Bond written notice of each Rate Indication affecting such registered owner no later than three Business Days prior to each Rate Determination Date.

(b) The Remarketing Agent shall give notice of each interest rate determined for any Mandatory Purchase Bond in accordance with subsection (a) of this Section to the Authority, the Bond Registrar and Paying Agent and the Co-Paying Agent. The Bond Registrar and Paying Agent shall give written notice of each such interest rate to the Trustee and the holders of the Mandatory Purchase Bonds (other than Mandatory Purchase Bonds which, due to the failure to deliver a Notice of Election to Retain, are required to be tendered to the Bond Registrar and Paying Agent or the Co-Paying Agent on the first day of the Interest Period to which such interest rate applies) to which such interest rate will be applicable.

(c) The determination of the interest rates on the Mandatory Purchase Bonds by the Remarketing Agent as provided in this Section shall be conclusive and binding on the Holders of such Bonds, the Authority, the Trustee, the Co-Paying Agent and the Bond Registrar and Paying Agent.

(d) Interest on the Mandatory Purchase Bonds shall be calculated on the basis of a year consisting of 360 days divided into twelve 30-day months.

(e) The Interest Periods for Mandatory Purchase Bonds shall begin on the original issuance date of the Bonds or on the day after the last day of the preceding Interest Period, and each Interest Period shall end on the last calendar day of a month.

Remarketing of Mandatory Purchase Bonds. The Bond Registrar and Paying Agent shall notify the Remarketing Agent of the Remarketing Amount on the Business Day after the last day on which a Notice of Election to Retain may be given with respect to any Mandatory Purchase Date.

Unless the Authority otherwise directs, the Remarketing Agent shall offer for sale, and use its best efforts to sell for delivery, on each Mandatory Purchase Date at a price equal to the principal amount thereof plus accrued interest, if any, thereon to such Mandatory Purchase Date, Mandatory Purchase Bonds in an aggregate principal amount equal to the Remarketing Amount. The Remarketing Agent shall notify the Bond Registrar and Paying Agent of the aggregate principal amount of Bonds expected to be sold by the Remarketing Agent on such Mandatory Purchase Date. The Bond Registrar and Paying Agent shall calculate the amount of Bonds not remarketed and notify the Authority and the Trustee, of the aggregate principal amount of Bonds expected to be purchased on such Mandatory Purchase Date by the Bond Registrar and Paying Agent which shall be equal to the Purchase Amount less the sum of (i) any

Available Amount and (ii) the aggregate principal amount of Bonds that will be remarketed by the Remarketing Agent on such Mandatory Purchase Date.

On each Mandatory Purchase Date, the Remarketing Agent shall (i) pay to the Bond Registrar and Paying Agent proceeds from the remarketing of Bonds and all other amounts required to be so transferred by any supplemental remarketing agreement, and (ii) give notice to the Bond Registrar and Paying Agent of the purchasers of the Bonds to be purchased on such date and the denominations of Bonds to be delivered to each such purchaser. In the event that the Remarketing Agent does not provide such information or pay for the Remarketed Bonds at such time, the Bond Registrar and Paying Agent shall notify the Trustee of the portion of the Remarketing Amount not remarketed and request such funds.

Procedure for Purchase of Mandatory Purchase Bonds. The Mandatory Purchase Bonds to be purchased on each Mandatory Purchase Date shall be purchased by the Bond Registrar and Paying Agent at a purchase price equal to the principal amount thereof, plus accrued interest, if any, to such Mandatory Purchase Date, from the following sources and in the following order of priority:

- (i) Bonds resold by the Remarketing Agent shall be purchased from remarketing proceeds made available to the Bond Registrar and Paying Agent; and
- (ii) any Available Amount in the Revenue Sharing Bond Account of the Revenue Fund; and
- (iii) to the extent moneys are not made available to purchase Mandatory Purchase Bonds on a Mandatory Purchase Date from the sources immediately preceding, from amounts on deposit in the Revenue Sharing Bond Account of the Revenue Fund.

Notwithstanding anything to the contrary contained herein, if there shall be on deposit in the appropriate accounts of the Revenue Fund, or if there shall be made available to the Bond Registrar and Paying Agent by the Remarketing Agent funds in an amount sufficient to pay the purchase price of Mandatory Purchase Bonds on any Mandatory Purchase Date applicable to such Bonds, such Bonds shall be deemed purchased with such moneys on such Mandatory Purchase Date, shall cease to bear interest as of such Mandatory Purchase Date whether or not such Bonds are tendered to the Bond Registrar and Paying Agent on such date, and the registered owners of such Mandatory Purchase Bonds shall have no rights with respect thereto or under the Resolution except to receive the purchase price of such Bonds and when received by the Bond Registrar and Paying Agent such Bonds shall be canceled.

If the funds available for purchase of Mandatory Purchase Bonds are inadequate for the purchase of all Mandatory Purchase Bonds tendered on any Mandatory Purchase Date, all Bonds subject to such purchase shall continue to bear interest until paid at the interest rate last determined for such Bonds. In such event, the Bond Registrar and Paying Agent shall immediately: (i) return all tendered Bonds to the holders thereof, (ii) return all moneys received for the purchase of such Bonds to the persons providing such moneys, and (iii) notify all Bondholders in writing (A) as to whether an event has occurred which is or may become an Event of Default, and (B) of the rate of interest on such Bonds.

Disposition of Purchased Bonds. Mandatory Purchase Bonds tendered to the Bond Registrar and Paying Agent on any Mandatory Purchase Date in accordance with the provisions of this Section shall be delivered by the Bond Registrar and Paying Agent as follows:

(i) Bonds resold by the Remarketing Agent shall be exchanged for other Bonds, as necessary to correspond to the denominations, and Types in which such Bonds have been sold by the Remarketing Agent, shall be registered in the names of the purchasers thereof and shall be delivered to such purchasers in accordance with the directions of the Remarketing Agent; and

(ii) Bonds the principal amount of which shall have been paid by the Bond Registrar and Paying Agent from amounts on deposit in any Fund or Account in accordance with clauses (ii) or (iii) under Procedure for Purchase of Mandatory Purchase Bonds above (other than amounts needed to compensate for original issue discount) shall be canceled by the Bond Registrar and Paying Agent.

If any Mandatory Purchase Bond (other than a Bond with respect to which a Notice of Election to Retain has been properly given) is not delivered to the Bond Registrar and Paying Agent on any Mandatory Purchase Date applicable to such Bond and such Bond was resold by the Remarketing Agent on such date, the Bond Registrar and Paying Agent shall register the transfer of such Bond to the purchaser thereof and the Authority shall execute and the Bond Registrar and Paying Agent shall authenticate and deliver a new Bond or Bonds and deliver the same in accordance with the provisions of the first paragraph of this Section, notwithstanding such non-delivery.

Resolution Constitutes Contract of Authority; No Recourse Against Members, Officers or Employees

In consideration of the purchase and acceptance by any and all of the Bonds issued under the Resolution, the Resolution shall be deemed to be and shall constitute a contract between the Authority and the Bondholders and the pledges made in the Resolution and the covenants and agreements therein set forth to be performed by the Authority shall be for the benefit, protection and security of (i) the Owners of any and all of each Type of the Bonds all of which, without regard to the time or times of their issue or maturity, shall be of equal rank without preference, priority or distinction of any of the Bonds of any Type over any other Bonds of the same Type, except as expressly provided in or permitted by the Resolution, (ii) on a subordinate basis in connection with the MBIA Insured Revenue Sharing Bonds, of MBIA, and (iii) on a subordinate basis in connection with the AMBAC Insured Bonds, of AMBAC Assurance.

All covenants, stipulations, promises, agreements and obligations of the Authority contained in the Resolution shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the Authority and not of any member, officer or employee of the Authority in his individual capacity, and no recourse shall be had for the payment of the principal or interest on the Bonds or for any claim based thereon or on the Resolution against any member, officer or employee of the Authority or any person executing the Bonds.

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APPENDIX II
FORMS OF LEGAL OPINIONS

[FORM OF APPROVING OPINION OF BOND COUNSEL]

July 9, 2019

Michigan Finance Authority
Lansing, Michigan

As Bond Counsel to the Michigan Finance Authority (the “**Authority**”) we submit this opinion with respect to the issuance by the Authority of Local Government Loan Program Revenue Refunding Bonds, Series 2019A (Tax-Exempt), being issued in the aggregate principal amount of \$6,475,000 (the “**2019A Bonds**”) and Local Government Loan Program Revenue Refunding Bonds, Series 2019B (Federally Taxable), being issued in the aggregate principal amount of \$6,795,000 (the “**2019B Bonds**,” and together with the 2019A Bonds, the “**Bonds**”).

The Bonds are authorized to be issued pursuant to Executive Order 2010-2 and by Act No. 227, Public Acts of Michigan, 1985, as amended (the “**Act**”), and by an amended and restated bond resolution adopted by the Authority on May 15, 2014, as supplemented by a supplemental resolution adopted by the Authority on April 23, 2019 (collectively, the “**Resolutions**”).

The Bonds are being issued pursuant to the Act and the Resolutions to refund certain outstanding indebtedness of the Authority, refinance or modify obligations (the “**Municipal Obligations**”) issued by a certain political subdivision of the State of Michigan (the “**Governmental Unit**”) and to pay costs of issuance of the Bonds. The Bonds are subject to redemption prior to maturity as set forth in the Resolutions and the Bonds.

We have examined the Constitution and statutes of the State of Michigan (the “**State**”), the Resolutions, a specimen of each series of Bonds and such other information, records and documents as we deem necessary, including a non-arbitrage and tax compliance certificate of the Authority, and based on such examination we are of the opinion under existing law that:

1. The Authority is an autonomous public body corporate and politic validly existing under the laws of the State with the power to adopt the Resolutions.

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Michigan Finance Authority
 July 9, 2019
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2. The Resolutions have been duly adopted by the Authority and constitute legal, valid and binding actions of the Authority in accordance with their terms.

3. The Bonds are valid and legally binding limited obligations of the Authority enforceable in accordance with their terms, payable as to the principal of, premium, if any, and accrued interest thereon solely from the security pledged therefor under the Resolutions. The Bonds are not a general obligation of the Authority. Neither the State nor any political subdivision of the State is obligated to pay the principal of, premium, if any, or interest on the Bonds and neither the faith and credit nor the taxing power of the State or any political subdivision of the State is pledged to the payment of the principal of, premium, if any, or interest on the Bonds. The Authority has no taxing power.

4. The Authority is authorized to issue additional bonds of equal standing and priority of lien with the Bonds as provided in the Resolutions.

5. The interest on the 2019A Bonds is excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended, and is not an item of tax preference for purposes of the federal alternative minimum tax. The opinion set forth above is subject to the condition that the Authority and the Governmental Unit comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the 2019A Bonds in order that interest thereon be (or continue to be) excluded from gross income for federal income tax purposes. The requirements include rebating certain earnings to the United States. Failure to comply with certain of such requirements could cause the interest on the 2019A Bonds to be so included in gross income retroactive to the date of issuance of the 2019A Bonds. The Authority and the Governmental Unit have covenanted to comply with all such requirements. We express no opinion regarding other federal tax consequences arising with respect to the 2019A Bonds.

6. The interest on the 2019B Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended.

7. The Bonds and the interest on and income from the Bonds are exempt from all taxation by the State or a subdivision of the State, except estate taxes and taxes on gains realized from the sale, payment or other disposition thereof.

In rendering the foregoing opinion, no opinion is expressed as to the validity or enforceability of the Municipal Obligations, and we have, with your approval relied upon the opinion of bond counsel to the Governmental Unit to the effect that interest on the Municipal

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Obligation related to the 2019A Bonds is excluded from gross income for federal income tax purposes.

Enforceability of the Bonds and the Resolutions may be subject to the application of general principles of equity including those related to equitable subordination, and to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and their enforcement may be subject to the exercise of judicial discretion in appropriate cases.

Respectfully submitted,

ARIZONA CALIFORNIA FLORIDA KENTUCKY MICHIGAN
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[FORM OF APPROVING OPINION OF THE ATTORNEY GENERAL]

July 9, 2019

Michigan Finance Authority
Richard H. Austin Building
Lansing, Michigan 48909

In my capacity as Attorney General of the State of Michigan, I have caused to be examined a closing transcript and, in particular, the following documents relating to the issuance by the Michigan Finance Authority (the "Authority") of bonds designated MICHIGAN FINANCE AUTHORITY LOCAL GOVERNMENT LOAN PROGRAM REVENUE REFUNDING BONDS, SERIES 2019A (TAX-EXEMPT) (the "Series 2019A Bonds") and LOCAL GOVERNMENT LOAN PROGRAM REVENUE REFUNDING BONDS, SERIES 2019B (FEDERALLY TAXABLE) (the "Series 2019B Bonds," and together with the Series 2019A Bonds, the "Bonds"):

(1) Executive Order 2010-2 of the Governor, which created the Authority and transferred the powers of the Michigan Municipal Bond Authority to it;

(2) the Shared Credit Rating Act, 1985 PA 227, as amended (the "Act"), which created the Michigan Municipal Bond Authority and empowers it to issue bonds;

(3) a certified copy of Resolution No. 2014-07 adopted by the Authority on May 15, 2014, as amended and supplemented, Supplemental Resolution No. 2019-05, adopted by the Authority on April 23, 2019, authorizing the issuance of the Bonds (together, the "Resolutions");

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

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

The Bonds are being issued for the purpose of providing funds which will be used to purchase the obligations (the "Municipal Obligations") of a certain governmental unit (the "Governmental Unit") within the State of Michigan (the "State"), and to pay costs of issuance of the Bonds.

In rendering this opinion, no opinion is expressed as to the validity or enforceability of the Municipal Obligations and I have relied upon the opinion of bond counsel to the Governmental Unit to the effect that interest on the Municipal Obligation related to the Series 2019A Bonds is excluded from gross income for federal tax purposes.

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

1. The Authority is a public body corporate and politic of the State duly organized and validly existing under the Constitution and the laws of the State, including particularly the Act.

2. The Authority has the power under the laws of the State to adopt the Resolutions. The Resolutions have been duly adopted by the Authority, are in full force and effect in the form adopted, and are valid and binding actions of the Authority.

3. The Bonds have been duly authorized, executed, and delivered by the Authority and, when duly authenticated, will constitute valid and binding limited obligations of the Authority enforceable in accordance with their terms, payable as to the principal of, premium, if any, and interest thereon solely from the security pledged therefor under the Resolutions and the Supplemental Indenture, which security includes the Municipal Obligations.

4. The Bonds are limited obligations of the Authority. The Bonds, including the interest thereon, are not general obligations of the Authority and do not constitute obligations, debts, or liabilities of the State and do not constitute a charge against the general credit of the Authority or a charge against the credit or taxing power of the State. The Authority has no taxing power.

5. The Authority is authorized to issue additional bonds of equal standing with the Bonds, as described in the Bonds and in the Resolutions.

6. Interest on the Series 2019A Bonds is excluded from gross income for federal income tax purposes and it is not an item of tax preference for purposes of the federal alternative minimum tax.

Interest on the Series 2019B Bonds is not excluded from gross income for federal tax income purposes.

The opinions expressed in this paragraph 6 are subject to the condition that the Authority and the Governmental Units comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Series 2019A Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The Authority has covenanted to comply with each such requirement to the extent permitted by law. Failure to comply with certain of those requirements may cause the inclusion of interest on the Series 2019A Bonds in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2019A Bonds. I express no opinion regarding other federal tax consequences arising with respect to the Bonds.

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

Enforceability of the Bonds and the Resolutions may be subject to bankruptcy, insolvency, reorganization, moratorium, and other laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and their enforcement may be subject to the exercise of judicial discretion including the application of general principles of equity.

I express no opinion on the investment quality of the Bonds or whether the facts, figures, or financial information or other statements made respecting the Governmental Units or the State contained any untrue statement of material fact or omitted to state a material fact necessary in order to make those statements, in the light of the circumstances under which they were made, not misleading.

Sincerely,

DANA NESSEL
Attorney General

Assistant Attorney General

**APPENDIX III
FORMS OF CONTINUING DISCLOSURE UNDERTAKINGS**

**FORM OF
CONTINUING DISCLOSURE UNDERTAKING
MICHIGAN FINANCE AUTHORITY**

§ _____

**Local Government Loan Program
Revenue Refunding Bonds, Series 2019A (Tax-Exempt)
and**

§ _____

**Local Government Loan Program
Revenue Refunding Bonds, Series 2019B (Federally Taxable)**

This Continuing Disclosure Undertaking (the “**Undertaking**”) is executed and delivered by the Michigan Finance Authority (the “**Authority**”) in connection with the issuance of its Local Government Loan Program Revenue Refunding Bonds, Series 2019A (Tax-Exempt) and Local Government Loan Program Revenue Refunding Bonds, Series 2019B (Federally Taxable) (together, the “**Bonds**”). The Bonds are being issued pursuant to an Amended and Restated Resolution Establishing Michigan Finance Authority Local Government Loan Program and Providing for the Issuance of Local Government Loan Program Revenue Bonds, Resolution No. 2014-07, adopted by the Authority on May 15, 2014, as amended (the “**General Resolution**”) and a Supplemental Resolution adopted by the Authority on April 23, 2019 (the “**Supplemental Resolution**”) and collectively with the General Resolution, the “**Resolution**”). U.S. Bank National Association (the “**Trustee**”) has been designated as the Trustee and Depository for the Bonds. The Authority covenants and agrees as follows:

SECTION 1. Purpose of the Undertaking. This Undertaking is being executed and delivered by the Authority for the benefit of the Bondholders and in order to assist the Participating Underwriter (as defined herein) in complying with subsection (b)(5) of the Rule (as defined herein). 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 Undertaking shall be deemed to be and shall constitute a contract between the Authority and the Bondholders and the covenants and agreements herein set forth to be performed on behalf of the Authority shall be for the benefit of the Bondholders of any and all of the Bonds. The Authority acknowledges that the State of Michigan (the “**State**”) has undertaken no responsibility with respect to any notices or disclosures provided or required under this Undertaking and has no liability to any person, including any Bondholders, with respect to any such notices or disclosures.

SECTION 2. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Undertaking unless otherwise defined in this Undertaking, the following capitalized terms shall have the following meanings:

“**Annual Financial Information**” means (i) with respect to each Governmental Unit who is now or may become a Material Obligated Person at some future time, such financial information or operating data applicable to the Material Obligated Person’s most recent fiscal year consisting of Audited Financial Statements, if available, or Unaudited Financial Statements and to the extent not contained in those statements other material information concerning its revenues and expenses and results of operations, fund balances, significant incurrences of debt and litigation as required by the Rule, and (ii) with respect

to the Authority and the Bonds issued as Revenue Sharing Bonds, financial information or operating data contained in the Official Statement under the caption “SOURCES OF PAYMENT FOR THE MUNICIPAL OBLIGATIONS – Revenue Sharing Municipal Obligations.”

“**Audited Financial Statements**” means annual financial statements, if any, of a Material Obligated Person, audited by such auditor as shall then be required or permitted by State law, and prepared in accordance with GAAP applied on a consistent basis provided, however, that the Material Obligated Person may from time to time in accordance with GAAP and subject to applicable federal or State legal requirements modify the basis upon which its financial statements are prepared. Notice of any such modification shall be provided to the MSRB.

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

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

“**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. As of the date of this Undertaking, the EMMA internet website address is <http://www.emma.msrb.org>.

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

“**GAAP**” shall mean generally accepted accounting principles, as such principles are prescribed, in part, by the Financial Accounting Standards Board and modified by the Government Accounting Standards Board and in effect from time to time.

“**Listed Events**” shall mean any of the events listed in Section 3(a) of this Undertaking.

“**Material Obligated Person**” shall mean a Governmental Unit meeting the objective criteria established by the Authority as provided in Section 4 of this Undertaking.

“**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 Undertaking, the address and telephone and telecopy numbers of the MSRB are as follows:

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

“**Municipal Obligation**” shall mean an obligation of a Governmental Unit purchased by the Authority with the proceeds of the Bonds.

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

“**Official Statement**” shall mean the final Official Statement for the Bonds dated

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

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

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

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

“**Unaudited Financial Statements**” means the same as Audited Financial Statements except that they shall not have been audited.

SECTION 3. Reporting of Significant Events.

(a) The Authority agrees to provide or cause to be provided notice of the occurrence of any of the following events 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 Bonds;
- (7) Modifications to rights of Bondholders, if material;
- (8) Bond calls, if material;
- (9) Defeasances;
- (10) Release, substitution, or sale of property securing repayment of the Bonds, 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 Authority, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Authority, 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 the Financial Obligation of the Authority, any of which reflect financial difficulties.

(b) Whenever the Authority obtains knowledge of the occurrence of a Listed Event described in subsection (a)(2), (7), (8), (10), (14), (15), (16), or (17), the Authority shall as soon as possible determine if such event would be material under applicable federal securities laws. The Authority covenants that its determination of materiality will be made in conformance with federal securities laws.

(c) If the Authority determines in the exercise of its best judgment in good faith that (i) a Listed Event described in subsection (a)(1), (3), (4), (5), (6), (9), (11), (12) or (13) has occurred or (ii) the occurrence of a Listed Event described in subsection (a)(2), (7), (8), (10), (14), (15), (16), or (17) would be material under applicable federal securities laws, the Authority shall cause a notice of such occurrence to be filed with the MSRB through EMMA within ten (10) business days of the occurrence of a Listed Event. In connection with providing a notice of the occurrence of a Listed Event described in subsection (a)(9), the Authority 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 Authority), solely in its capacity as such, is not obligated or responsible under this Undertaking 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 Authority acknowledges that the “rating changes” referred to above in Section 3(a)(11) of this Undertaking may include, without limitation, any change in any rating on the Bonds or other indebtedness for which the Authority is liable.

(f) The Authority 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 Authority does not apply for or participate in obtaining such credit enhancement, and such credit enhancement is not described in the Official Statement.

SECTION 4. Obligated Persons.

(a) The Authority hereby determines that for bonds issued under the Resolution as Revenue Sharing Bonds that a Governmental Unit shall be a Material Obligated Person at any time that such Governmental Unit is an “obligated person” as defined in the Rule and (i) the aggregate principal amount of Revenue Sharing Municipal Obligations issued by and outstanding for such Governmental Unit is equal to or in excess of twenty percent (20%) of the aggregate principal amount of all Revenue Sharing Municipal Obligations then outstanding or (ii) for Governmental Units that are not issuers of Revenue Sharing Municipal Obligations, but for whom financial and operating data is disclosed in an official statement of the Authority in connection with such Revenue Sharing Municipal Obligations, the aggregate principal amount outstanding of such Revenue Sharing Municipal Obligations is equal to or in excess of twenty percent (20%) of the aggregate principal amount of all Revenue Sharing Municipal Obligations then outstanding. Any Revenue Sharing Municipal Obligations which have been legally defeased shall not be considered outstanding for the purpose of this Section 4(a).

(b) The Authority agrees that for the benefit of Bondholders, except as set forth in Section 4(d) below, it shall for each Material Obligated Person cause that Material Obligated Person to enter into an undertaking to disclose the following information:

- (1) As soon as practicable but in no event later than nine (9) months after the end of each fiscal year of such Material Obligated Person, the Annual Financial Information. The requirement to provide Annual Financial Information for any Material Obligated Person may be satisfied by filing a current official statement, prospectus or offering statement which contains such Annual Financial Information. It shall be sufficient for purposes of this Section 4(b) if Annual Financial Information is provided by specific reference to documents available to the public on the MSRB’s Internet Website or filed with the SEC. Annual Financial Information may be provided in one document or multiple documents and at one time or in part from time to time. The Annual Financial Information shall be filed with the MSRB. Notice of any failure to file Annual Financial Information shall be timely filed with the MSRB.
- (2) As soon as practicable, notice of any change in fiscal year for a Material Obligated Person shall be filed with the MSRB, and if a change is made to the basis on which financial statements are prepared, the Annual Financial Information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. Such comparison shall include a qualitative and, to the extent reasonably feasible, quantitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information.

(c) The Authority agrees for the benefit of the Bondholders that it shall disclose, as soon as practicable but in no event later than nine (9) months after the end of each fiscal year, the Annual Financial Information with respect to the Revenue Sharing Bonds. The requirement to provide Annual Financial Information may be satisfied pursuant to this Section 4(c) by making specific reference to documents available to the public on the MSRB’s Internet Website or filed with the SEC. Annual Financial Information may be provided in or by reference to one document or multiple documents and at one time or in part from time to time. The Annual Financial Information shall be filed with the MSRB. Notice of any failure to file Annual Financial Information shall be timely filed with the MSRB.

(d) At any time an entity once designated as a Material Obligated Person no longer meets the objective criteria established in Section 4(a) above, such entity shall no longer be considered a Material Obligated Person and accordingly Annual Financial Information for such entity will no longer be provided or required. In addition to any Material Obligated Person described in Section 4(a) above, the Authority may in its discretion determine that any entity designated by the Authority shall be considered a Material Obligated Person with respect to which Annual Financial Information will then be provided for so long as the Authority shall determine.

SECTION 5. **Mandatory Electronic Filing with EMMA.** All filings with the MSRB under this Undertaking 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 6. **Termination of Reporting Obligation.**

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

(b) This Undertaking, or any provision hereof, shall be null and void in the event that the Authority (i) receives an opinion of Securities Counsel, addressed to the Authority, to the effect that those portions of the Rule that require such provisions of this Undertaking 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 through EMMA.

SECTION 7. **Dissemination Agent.** The Executive Director on behalf of the Authority, from time to time, may appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Undertaking and may discharge any such Agent, with or without appointing a successor Dissemination Agent.

SECTION 8. **Amendment.**

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

(a) if the amendment or waiver relates to the provisions of Section 3, 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 Authority, or type of business conducted by the Authority in connection with the Bonds;

(b) this Undertaking, 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

(c) the amendment or waiver either (i) is approved by the Bondholders in the same manner as provided in the Resolution for amendments to the Resolution with the consent of the Bondholders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Bondholders.

SECTION 9. **Additional Information.** Nothing in this Undertaking shall be deemed to prevent the Authority from disseminating any other information, using the means of dissemination set forth in this Undertaking or any other means of communication, or including any other information in any notice of occurrence of a Listed Event, in addition to that which is required by this Undertaking. If the Authority chooses to include any information in any notice of occurrence of a Listed Event in addition to that which is specifically required by this Undertaking, the Authority shall have no obligation under this Undertaking to update such information or include it in any future notice of occurrence of a Listed Event.

SECTION 10. **Failure to Comply.** In the event of a failure of the Authority to comply with any provision of this Undertaking, any Bondholder may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the Authority to comply with its obligations under this Undertaking. A failure to comply with this Undertaking shall not be deemed an Event of Default under the Resolution. The sole remedy under this Undertaking in the event of any failure of the Authority to comply with this Undertaking shall be an action to compel performance, and no person or entity shall be entitled to recover monetary damages hereunder under any circumstances.

SECTION 11. **Duties of Dissemination Agent.** The Dissemination Agent shall have only such duties as are specifically set forth in this Undertaking.

SECTION 12. **Beneficiaries.** This Undertaking shall inure solely to the benefit of the Authority, the Dissemination Agent, the Participating Underwriter, and the Bondholders, and shall create no rights in any other person or entity.

SECTION 13. **Transmission of Information and Notices.** Unless otherwise required by law or this Undertaking, and, in the sole determination of the Authority or the Dissemination Agent, as applicable, subject to technical and economic feasibility, the Authority 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. **Additional Disclosure Obligations.** The Authority 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 Authority, and that under some circumstances, compliance with this Undertaking, without additional disclosures or other action, may not fully discharge all duties and obligations of the Authority under such laws.

SECTION 15. **Governing Law.** To the extent not governed by federal law, this Undertaking shall be governed by the law of the State.

Date: _____

MICHIGAN FINANCE AUTHORITY

By: _____

Deborah M. Roberts

Its: Executive Director

**FORM OF
CONTINUING DISCLOSURE UNDERTAKING
GOVERNMENTAL UNIT**

This Continuing Disclosure Undertaking (the “Undertaking”) is executed and delivered by the City of _____, County of _____, State of Michigan (the “Governmental Unit”) in compliance with the Purchase Contract between the Michigan Finance Authority (the “Authority”) and the Governmental Unit executed in connection with its Municipal Obligations. The Governmental Unit is a Material Obligated Person under the Purchase Contract and as an “obligated person” as defined in the Rule is required to file certain information with respect to its Municipal Obligations issued in connection with the Purchase Contract. Terms used herein are defined below.

The Governmental Unit hereby covenants and agrees as follows:

Section 1. Purpose of the Undertaking.

(a) This Undertaking is being executed and delivered by the Governmental Unit 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.

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

Section 2. Definitions. The following capitalized terms shall have the following meanings:

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

“Annual Financial Information” means with respect to the Governmental Unit such financial information or operating data applicable to the Material Obligated Person’s most recent fiscal year consisting of Audited Financial Statements, if available, or Unaudited Financial Statements and to the extent not contained in those statements other material information concerning its revenues and expenses and results of operations, fund balances, significant incurrences of debt and litigation as required by the Rule.

“Annual Report” shall mean any Annual Report of the Governmental Unit provided by the Governmental Unit pursuant to, and as described in, Sections 3 and 4 of this Undertaking.

“Audited Financial Statements” means annual financial statements, if any, of a Material Obligated Person, audited by such auditor as shall then be required or permitted by State law, and prepared in accordance with GAAP applied on a consistent basis provided, however, that the Material Obligated Person may from time to time in accordance with GAAP and subject to applicable federal or State legal requirements modify the basis upon which its financial statements are prepared. Notice of any such modification shall be provided to the MSRB.

“Authority” means the Michigan Municipal Bond Authority or its successor, the Michigan Finance Authority.

“Authority Bond” means any bond issued by the Authority which is secured in whole or in part by payments to be received on the Municipal Obligations.

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

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

“Dissemination Agent” shall mean the Governmental Unit or any successor Dissemination Agent appointed in writing by the Governmental Unit and which has filed with the Governmental Unit a written acceptance of such appointment.

“EMMA” shall mean the MSRB’s Electronic Municipal Market Access System or such other system, internet website, or repository hereafter prescribed by the MSRB for the submission of electronic filings pursuant to the Rule. As of the date of this Undertaking, the EMMA internet website address is <http://www.emma.msrb.org>.

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

“GAAP” shall mean generally accepted accounting principles, as such principles are prescribed, in part, by the Financial Accounting Standards Board and modified by the Governmental Accounting Standards Board and in effect from time to time.

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

“Material Obligated Person” shall mean the Governmental Unit meeting the objective criteria established by the Authority as provided in the Authority’s Continuing Disclosure Undertaking.

“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 Undertaking, the address and telephone and telecopy numbers of the MSRB are as follows:

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

“Official Statement” shall mean the final Official Statement for the Authority Bonds.

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

“State” shall mean the State of Michigan.

“Unaudited Financial Statements” means the same as Audited Financial Statements except that they shall not have been audited.

Section 3. Provision of Annual Reports.

(a) Each year, the Governmental Unit shall provide, or shall cause the Dissemination Agent to provide, not later than the date nine months after the last day of the Governmental Unit’s fiscal year, commencing with the Governmental Unit’s Annual Report for its fiscal year ended June 30, 2019, to the MSRB an Annual Report for the preceding fiscal year which is consistent with the requirements of Section 4 of this Undertaking. Not later than 15 business days (or such lesser number of days as is acceptable to the Dissemination Agent) prior to said date, the Governmental Unit shall provide the Annual Report to the Dissemination Agent (if other than the Governmental Unit). Currently, the Governmental Unit’s fiscal year commences on July 1. In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by specific reference other information as provided in Section 4 of this Undertaking; provided, however, that if the Audited Financial Statements of the Governmental Unit are not available by the deadline for filing the Annual Report, they shall be provided when and if available, and Unaudited Financial Statements in a format similar to the Audited Financial Statements then most recently prepared for the Governmental Unit shall be included in the Annual Report.

(b) If the Governmental Unit is unable to provide to the MSRB an Annual Report of the Governmental Unit by the date required in subsection (a), the Governmental Unit shall file a notice, in a timely fashion, with the MSRB, in substantially the form attached as Exhibit A.

(c) If the Governmental Unit’s fiscal year changes, the Governmental Unit shall file written notice of such change with the MSRB, in substantially the form attached as Exhibit B.

(d) Whenever any Annual Report or portion thereof is filed as described above, it shall be attached to a cover sheet in substantially the form attached as Exhibit C.

(e) If the Dissemination Agent is other than the Governmental Unit, the Dissemination Agent shall file a report with the Governmental Unit certifying that the Annual Report has been provided pursuant to this Undertaking, stating the date it was provided.

(f) In connection with providing the Annual Report, the Dissemination Agent (if other than the Governmental Unit) is not obligated or responsible under this Undertaking to determine the sufficiency of the

content of the Annual Report for purposes of the Rule or any other state or federal securities law, rule, regulation or administrative order.

Section 4. Content of Annual Reports. The Governmental Unit's Annual Report shall contain or include by reference the following:

(a) The Annual Financial Information of the Governmental Unit for its fiscal year immediately preceding the due date of the Annual Report.

(b) At any time the Governmental Unit once designated as a Material Obligated Person no longer meets the objective criteria established in the Authority's Undertaking such entity shall no longer be considered a Material Obligated Person and accordingly Annual Financial Information for such entity will no longer be provided or required.

Section 5. Reporting of Significant Events.

(a) The Governmental Unit covenants to provide, or cause to be provided, notice of the occurrence of any of the following events with respect to the Municipal Obligations 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 Municipal Obligations, or other material events affecting the tax status of the Municipal Obligations;
- (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 Municipal Obligations, 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 Governmental Unit, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Governmental Unit, 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 the Financial Obligation of the Governmental Unit, any of which reflect financial difficulties.

(b) Whenever the Governmental Unit obtains knowledge of the occurrence of a Listed Event described in subsection (a)(2), (7), (8), (10), (14), (15), (16), or (17) the Governmental Unit shall as soon as possible determine if such Listed Event would be material under applicable federal securities laws. The Governmental Unit covenants that its determination of materiality will be made in conformance with federal securities laws.

(c) If the Governmental Unit determines that (i) a Listed Event described in subsection (a)(1), (3), (4), (5), (6), (9), (11), (12) or (13) has occurred or (ii) the occurrence of a Listed Event described in subsection (a)(2), (7), (8), (10), (14), (15), (16), or (17) would be material under applicable federal securities laws, the Governmental Unit shall cause a notice of such occurrence to be filed with the MSRB through EMMA within ten (10) business days of the occurrence of the Listed Event, together with a cover sheet in substantially the form attached as Exhibit D. In connection with providing a notice of the occurrence of a Listed Event described in subsection (a)(9), the Governmental Unit shall include in the notice explicit disclosure as to whether the Municipal Obligations 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 Governmental Unit), solely in its capacity as such, is not obligated or responsible under this Undertaking 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 Governmental Unit acknowledges that the “rating changes” referred to in subsection (a)(11) above may include, without limitation, any change in any rating on the Municipal Obligations or other indebtedness for which the Governmental Unit is liable.

(f) The Governmental Unit 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 Authority Bonds, the Governmental Unit does not apply for or participate in obtaining such credit enhancement, and such credit enhancement is not described in the Official Statement.

Section 6. Mandatory Electronic Filing with EMMA.

All filings with the MSRB under this Undertaking 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 7. Termination of Reporting Obligation.

(a) The Governmental Unit's obligations under this Undertaking shall terminate if and when the Governmental Unit is no longer an "obligated person" with respect to the Authority Bonds within the meaning of the Rule, including upon the legal defeasance or the prior redemption or payment in full of all of the Authority Bonds. If the Governmental Unit's obligation to pay the principal of and interest on the Municipal Obligations is assumed in full by some other entity, such entity shall be responsible for compliance with this Undertaking in the same manner as if it were the Governmental Unit, and the Governmental Unit shall have no further responsibility hereunder.

(b) This Undertaking, or any provision hereof, shall be null and void in the event that the Governmental Unit (i) receives an opinion of Securities Counsel, addressed to the Governmental Unit, to the effect that those portions of the Rule that require such provisions of this Undertaking do not or no longer apply to the Authority 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 Authority Bonds, as shall be specified in such opinion, and (ii) files notice to such effect with the MSRB.

Section 8. Dissemination Agent. The Governmental Unit, from time to time, may appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Undertaking and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. Except as otherwise provided in this Undertaking, the Dissemination Agent (if other than the Governmental Unit) shall not be responsible in any manner for the content of any notice or report prepared by the Governmental Unit pursuant to this Undertaking.

Section 9. Amendment; Waiver.

(a) Notwithstanding any other provision of this Undertaking, this Undertaking may be amended, and any provision of this Undertaking 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 Governmental Unit, or type of business conducted by the Governmental Unit;

(ii) this Undertaking, 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 Authority 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.

(b) In the event of any amendment to, or waiver of a provision of, this Undertaking, the Governmental Unit shall describe such amendment or waiver in the next Annual Report and shall include an explanation of the reason for such amendment or waiver. In particular, if the amendment results in a change to the Annual Financial Information required to be included in the Annual Report pursuant to Section 4 of this Undertaking, the first Annual Report that contains the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of such change in the type of operating data or financial information being provided. Further, if the Annual Financial Information required to be provided in the Annual Report can no longer be generated because the operations to which it related have been materially changed or discontinued, a statement to that effect shall be included in the first Annual Report that does not include such information.

(c) If the amendment results in a change to the accounting principles to be followed in preparing financial statements as set forth in Section 4 of this Undertaking, the Annual Report for the year in which the change is made shall include a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of such differences and the impact of the changes on the presentation of the financial information. To the extent reasonably feasible, the comparison shall also be quantitative. A notice of the change in accounting principles shall be filed by the Governmental Unit or the Dissemination Agent (if other than the Governmental Unit) at the written direction of the Governmental Unit with the MSRB.

Section 10. Additional Information. Nothing in this Undertaking shall be deemed to prevent the Governmental Unit from disseminating any other information, using the means of dissemination set forth in this Undertaking or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Undertaking. If the Governmental Unit 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 Undertaking, the Governmental Unit shall have no obligation under this Undertaking to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Failure to Comply. In the event of a failure of the Governmental Unit or the Dissemination Agent (if other than the Governmental Unit) to comply with any provision of this Undertaking, any Bondholder or Beneficial Owner may bring an action to obtain specific performance of the obligations of the Governmental Unit or the Dissemination Agent (if other than the Governmental Unit) under this Undertaking, but no person or entity shall be entitled to recover monetary damages hereunder under any circumstances, and any failure to comply with the obligations under this Undertaking shall not constitute a default with respect to the Authority Bonds. Notwithstanding the foregoing, if the alleged failure of the Governmental Unit to comply with this Undertaking is the inadequacy of the information disclosed pursuant hereto, then the Bondholders and the Beneficial Owners (on whose behalf a Bondholder has not acted with respect to this alleged failure) of not less than a majority of the aggregate principal amount of the then outstanding Authority Bonds must take the actions described above before the Governmental Unit shall be compelled to perform with respect to the adequacy of such information disclosed pursuant to this Undertaking.

Section 12. Duties of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Undertaking.

Section 13. Beneficiaries. This Undertaking shall inure solely to the benefit of the Governmental Unit, the Dissemination Agent, the Participating Underwriter, the Bondholders and the Beneficial Owners, and shall create no rights in any other person or entity.

Section 14. Transmission of Information and Notices. Unless otherwise required by law or this Undertaking, and, in the sole determination of the Governmental Unit or the Dissemination Agent, as applicable, subject to technical and economic feasibility, the Governmental Unit or the Dissemination Agent, as applicable, shall employ such methods of information and notice transmission as shall be requested or recommended by the herein-designated recipients of such information and notices.

Section 15. Additional Disclosure Obligations. The Governmental Unit 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 Governmental Unit, and that under some circumstances, compliance with this Undertaking, without additional disclosures or other action, may not fully discharge all duties and obligations of the Governmental Unit under such laws.

Section 16. Governing Law. This Undertaking shall be construed and interpreted in accordance with the laws of the State, and any suits and actions arising out of this Undertaking shall be instituted in a court of competent jurisdiction in the State. Notwithstanding the foregoing, to the extent this Undertaking addresses matters of federal securities laws, including the Rule, this Undertaking shall be construed and interpreted in accordance with such federal securities laws and official interpretations thereof.

By: _____
Name: The City of _____
Its: _____

Dated: _____, 20__

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**APPENDIX IV
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 Comprehensive Annual Financial Report prepared by the State's Department of Technology, Management and Budget are available at *www.michigan.gov/ofm* (under Comprehensive Annual Financial Reports). Information required for fiscal years ended September 30, 2014 through 2018 has been filed with the Municipal Securities Rulemaking Board's Electronic Municipal Market Access ("EMMA") system at *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.

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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 47,902 employees as of January 2019. Approximately 47,758 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 1,063 elected officials and appointed staff, and 160 classified civil service employees. The judicial branch consists of approximately 1,299 judges and court employees.

Wages, hours and working conditions for approximately 68.3% 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, 2020 for the ten represented bargaining units. The State Police Enlisted bargaining unit is scheduled to receive a 1% base wage increase effective October 1, 2019 and a 1% lump sum payment at the end of the first full pay period in October 2019 for Fiscal Year 2020. The remaining nine bargaining units are scheduled to receive a 2% base wage increase effective October 1, 2019 and a 2% lump sum payment at the end of the first full pay period in October 2019 for Fiscal Year 2020. The compensation package for Fiscal Year 2020 for the 15,212 non-bargaining employees is scheduled to include a 2% base wage increase effective October 1, 2019 and a 2% lump sum payment at the end of the first full pay period in October 2019.

**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)	10,668	9/30/20
Security	MCO, SEIU, Local 526M	5,936	9/30/20
Administrative Support	United Auto Workers (UAW)	5,918	9/30/20
Labor and Trades	Michigan State Employees Association (AFSCME Local 5)	1,973	9/30/20
Scientific and Engineering	SEIU, Local 517M	2,229	9/30/20
Institutional	AFSCME Council 25	1,619	9/30/20
State Police Enlisted	Michigan State Police Troopers Association (Independent)	1,780	9/30/20
Safety and Regulatory	Michigan State Employees Association (AFSCME Local 5)	1,238	9/30/20
Human Services Support	SEIU, Local 517M	470	9/30/20
Technical	SEIU, Local 517M	875	9/30/20
Non Bargaining	N/A	15,212	9/30/20

SOURCE: State of Michigan, Office of the State Employer. Information as of January 26, 2019. 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 2018 was 4.1 percent, down from 4.6 percent in 2017.

TABLE 2
STATE LABOR FORCE AND EMPLOYMENT
(Amounts in Thousands)

	2014	2015	2016	2017	2018
Civilian Labor Force	4,761.4	4,759.3	4,848.1	4,886.1	4,902.1
Employment	4,417.0	4,501.0	4,606.7	4,660.7	4,698.8
Unemployment	344.4	258.3	241.4	225.4	203.2
Unemployment Rate (%)	7.2	5.4	5.0	4.6	4.1
Wage and Salary Employment	4,181.7	4,243.2	4,319.7	4,369.1	4,418.6
Total Private	3,585.9	3,649.0	3,720.3	3,765.4	3,812.2
Goods Producing	724.8	747.6	768.0	785.4	806.2
Private Service Providing	2,861.1	2,901.4	2,952.3	2,980.0	3,006.0
Government	595.8	594.2	599.4	603.7	606.5
Goods Producing	724.8	747.6	768.0	785.4	806.2
Mining and Logging	8.3	7.7	7.2	7.1	7.2
Construction	141.8	148.3	155.1	162.2	169.2
Manufacturing	574.7	591.7	605.7	616.1	629.8
Durable Goods	435.3	447.6	456.4	464.9	477.2
Non-Durable Goods	139.4	144.1	149.4	151.2	152.6
Service Providing (Includes Government)	3,456.9	3,495.5	3,551.7	3,583.7	3,612.4
Trade, Transportation, and Utilities	757.8	770.2	780.4	786.4	791.4
Wholesale Trade	165.8	167.1	168.5	170.6	172.1
Retail Trade	461.4	467.6	473.2	473.3	470.4
Transportation and Utilities	130.6	135.5	138.7	142.5	148.9
Information	57.5	56.6	57.3	56.5	55.8
Financial Activities	204.2	207.1	212.8	217.5	219.0
Finance and Insurance	153.6	155.8	160.0	163.3	163.9
Real Estate and Rental and Leasing	50.6	51.3	52.8	54.2	55.1
Professional and Business Services	624.6	637.0	646.0	649.9	660.6
Professional, Scientific, and Technical Services	271.7	277.8	285.8	294.1	299.1
Management of Companies and Enterprises	58.5	61.1	63.8	66.6	68.9
Administrative and Support and Waste Management	294.5	298.0	296.4	289.2	292.6
Educational and Health Services	641.1	649.5	662.9	671.9	679.0
Educational Services	72.4	72.3	72.0	72.6	74.5
Health Care and Social Assistance	568.7	577.3	590.9	599.3	604.5
Leisure and Hospitality	406.5	413.7	425.2	432.2	433.6
Accommodation and Food Services	357.5	363.5	373.5	379.1	381.0
Other	49.0	50.2	51.7	53.1	52.6
Other Services	169.5	167.3	167.7	165.7	166.6
Government	595.8	594.2	599.4	603.7	606.5

NOTE: Components may not total due to truncation.

“Other” categories 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 2019) and U.S. Department of Labor, Bureau of Labor Statistics

TABLE 3

STATE UNEMPLOYMENT RATES

<u>Calendar Year</u>	<u>Annual Average</u>
2001	5.2%
2002	6.3
2003	7.2
2004	7.0
2005	6.8
2006	7.0
2007	7.0
2008	8.0
2009	13.7
2010	12.6
2011	10.4
2012	9.1
2013	8.8
2014	7.2
2015	5.4
2016	5.0
2017	4.6
2018	4.1

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>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Manufacturing	574.7	591.7	605.7	616.1	629.8
Durable Goods	435.3	447.6	456.4	464.9	477.2
Non-Durable Goods	139.4	144.1	149.4	151.2	152.6
Durable Goods	435.3	447.6	456.4	464.9	477.2
Nonmetallic Mineral Product	10.3	10.7	10.6	10.6	10.7
Primary Metal	22.2	22.3	22.0	22.3	22.7
Fabricated Metal Product	79.8	81.4	80.2	79.9	81.6
Machinery	70.2	72.2	72.1	73.7	75.0
Computer and Electronic Product	18.1	18.9	19.6	20.2	20.6
Transportation Equipment	169.0	177.4	184.3	188.2	193.5
Motor Vehicle	37.9	39.4	39.9	40.1	40.2
Motor Vehicle Parts	118.2	123.3	129.1	131.5	135.6
Other	12.9	14.7	15.3	16.6	17.7
Furniture and Related Product	20.5	21.1	22.1	22.7	22.9
Other	45.2	43.6	45.5	47.3	50.2
Non-Durable Goods	139.4	144.1	149.4	151.2	152.6
Food	33.5	34.8	36.6	37.9	38.7
Printing and Related Support Activities	14.0	14.2	14.4	14.3	14.0
Chemical	29.9	30.4	30.6	30.1	30.3
Plastics and Rubber Products	38.6	39.9	41.6	42.1	42.7
Other	23.4	24.8	26.2	26.8	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 2019) and U.S. Department of Labor, Bureau of Labor Statistics. Wage and salary employment based on NAICS.

Total manufacturing employment was 629,800 in 2018. Employment in the durable goods manufacturing sector was 477,200 and non-durable goods employment was 152,600 in the State in 2018.

The combined motor vehicle and motor vehicle parts employment totaled 175,800 in the State in 2018.

TABLE 5

PER CAPITA INCOME

<u>Calendar Year</u>	<u>Michigan</u>	<u>U.S.</u>
2018	\$47,582	\$53,712
2017	46,136	51,731
2016	44,668	49,883
2015	43,408	48,985
2014	41,050	47,060
2013	39,272	44,851
2012	38,942	44,599
2011	37,462	42,735
2010	35,300	40,546
2009	33,938	39,284
2008	35,595	40,904

SOURCE: U.S. Department of Commerce, Bureau of Economic Analysis
Table SAINC1 of March 26, 2019 release

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TABLE 6

STATE PERSONAL INCOME BY MAJOR SOURCES
(Amounts in Millions)

	2014	2015	2016	2017	2018
Wage & Salary Disbursements by Place of Work	\$204,208	\$214,532	\$222,475	\$231,748	\$239,478
Farm	805	801	915	746	769
Goods Producing	45,012	47,653	49,273	51,753	53,955
Natural Resources and Mining	757	713	679	696	732
Construction	8,071	8,708	9,390	10,213	10,802
Manufacturing	36,184	38,232	39,203	40,844	42,421
Durable Goods	28,324	29,960	30,530	31,809	33,101
Nondurable Goods	7,860	8,272	8,673	9,035	9,320
Service Providing	158,391	166,078	172,287	179,249	184,754
Trade, Transportation and Utilities	32,408	33,976	35,094	36,367	37,695
Wholesale Trade	11,765	12,123	12,482	12,821	13,124
Retail Trade	12,678	13,407	13,905	14,366	14,763
Transportation and Utilities	7,965	8,446	8,707	9,180	9,808
Information	3,962	4,032	4,150	4,018	4,091
Financial Activities	12,530	13,294	13,997	14,782	15,403
Finance and Insurance	10,489	11,086	11,656	12,280	12,718
Real Estate and Rental and Leasing	2,041	2,208	2,342	2,502	2,685
Professional and Business Services	37,744	40,234	42,001	44,690	45,953
Professional and Technical Services	21,703	23,331	24,502	25,502	26,225
Management of Companies and Enterprises	6,624	6,911	7,315	8,755	8,830
Administrative and Waste Services	9,417	9,992	10,185	10,433	10,897
Education and Health Services	28,699	30,236	31,355	32,164	33,183
Educational Services	2,474	2,517	2,539	2,602	2,637
Health Care and Social Assistance	26,225	27,719	28,816	29,562	30,546
Leisure and Hospitality	7,979	8,500	9,077	9,630	9,945
Accommodation and Food Services	6,308	6,779	7,220	7,662	8,012
Other	1,671	1,721	1,857	1,969	1,933
Other Services	6,045	6,335	6,554	6,727	7,088
Government	29,024	29,471	30,059	30,870	31,397
Supplements to Wages and Salaries	47,343	50,910	53,098	55,315	56,720
Proprietor's Income	28,591	29,075	28,886	30,622	32,037
Farm	408	128	(179)	(574)	(655)
Nonfarm	28,183	28,947	29,065	31,197	32,692
Total Income/Place of Work	280,141	294,516	304,458	317,685	328,234
Less: Contributions for Government Social Insurance	33,293	34,711	35,659	37,100	38,460
Plus: Adjustment for Residence	2,076	2,077	2,244	2,500	2,597
Net Labor and Proprietors' Income by Place of Residence	248,924	261,882	271,044	283,086	292,371
Plus: Dividends, Interest and Rent	71,953	77,436	79,341	82,505	85,946
Plus: Personal Current Transfer Receipts	86,771	91,839	94,148	94,679	97,309
Total Personal Income by Place of Residence	407,649	431,157	444,532	460,270	475,626

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

SOURCE: U.S. Department of Commerce, Bureau of Economic Analysis, Tables SAINC5 and SAINC7 (March 26, 2019 Release)
Uses North American Industrial Classification System ("NAICS") industry categories

TABLE 7

STATE AND UNITED STATES ECONOMIC STATISTICS

		<u>1980</u>	<u>1985</u>	<u>1990</u>	<u>1995</u>	<u>2000</u>	<u>2005</u>	<u>2010</u>	<u>2015</u>	<u>2018</u>
Personal Income (in \$ billions)	State	\$94.7	\$133.6	\$177.4	\$230.3	\$301.7	\$329.2	\$348.7	\$431.2	\$475.6
	U.S.	2,313.2	3,510.5	4,897.8	6,286.1	8,650.3	10,593.9	12,542.0	15,711.6	17,572.9
Consumer Price Index all items (1982-84=100).....	State ⁽¹⁾	85.3	106.8	128.6	148.6	169.8	190.8	205.1	218.7	232.3
	U.S.	82.4	107.6	130.7	152.4	172.2	195.3	218.1	237.0	251.1
Average Hourly Earnings Manufacturing (\$).....	State	9.52	12.64	13.86	16.31	19.26	21.46	21.76	20.81	21.31
	U.S.	7.15	9.40	10.78	12.34	14.32	16.56	18.61	19.91	21.54
Civilian Labor Force 16 years and over (000's)	State	4,304	4,360	4,607	4,813	5,163	5,083	4,799	4,759	4,902
	U.S.	106,940	115,461	125,840	132,304	142,583	149,320	153,889	157,130	162,075
Unemployment Rate (%).....	State	12.3	10.0	7.6	5.3	3.6	6.8	12.6	5.4	4.1
	U.S.	7.1	7.2	5.6	5.6	4.0	5.1	9.6	5.3	3.9
Population (000's) ⁽²⁾	State	9,262	9,076	9,295	9,676	9,939	10,051	9,884	9,933	9,996
	U.S.	226,542	237,924	248,718	266,278	281,425	295,517	308,746	320,743	327,167

(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 Department of Technology, Management and Budget 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 Technology, Management and Budget, 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 generally accepted accounting principles ("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>2014-2015 Actual⁽⁴⁾</u>	<u>2015-16 Actual⁽⁴⁾</u>	<u>2016-17 Actual⁽⁴⁾</u>	<u>2017-18 Actual⁽⁴⁾</u>	<u>2018-2019 Projected⁽⁴⁾</u>
Beginning Balance	\$ 306.4	\$ 694.7	\$ 604.4	\$ 622.5	\$ 788.3
Revenue by Major Source					
Taxes:					
Personal Income (Less Refunds)	\$ 6,323.3	\$ 6,575.9	\$ 6,594.1	\$ 7,130.2	\$ 7,118.5
Single Business Tax, Michigan Business Tax and Corporate Income Tax	442.3	45.1	419.6	371.9	513.7
Cigarette Excise	188.1	186.3	186.5	181.4	179.2
Sales	646.8	675.1	749.4	796.0	810.4
Use ⁽⁸⁾	1,361.5	1,345.2	707.6	801.1	749.4
Insurance Company Taxes	322.4	329.2	370.7	393.2	376.5
Other Taxes	<u>287.9</u>	<u>351.5</u>	<u>356.7</u>	<u>435.7</u>	<u>270.5</u>
Total Tax Revenue	<u>\$ 9,572.3</u>	<u>\$ 9,508.3</u>	<u>\$ 9,384.6</u>	<u>\$ 10,109.5</u>	<u>10,018.2</u>
Non-Tax Revenues					
Federal Aid	\$ 38.5	\$ 18.8	\$ 8.6	\$ 2.9	\$ 13.3
Other Non-Tax Revenues	<u>194.7</u>	<u>289.5</u>	<u>281.5</u>	<u>197.3</u>	<u>31.1</u>
Total Non-Tax Revenues	<u>\$ 233.2</u>	<u>\$ 308.3</u>	<u>\$ 290.1</u>	<u>\$ 200.3</u>	<u>\$ 44.4</u>
Total Revenues	<u>\$ 9,805.5</u>	<u>\$ 9,816.6</u>	<u>\$ 9,674.7</u>	<u>\$ 10,309.7</u>	<u>\$ 10,062.6</u>
Other Resources					
Other Financing Sources ⁽⁶⁾	\$ 201.1	\$ 216.6	\$ 233.3	\$ 236.0	\$ 321.3
Other Resources ⁽⁷⁾	<u>338.8</u>	<u>337.6</u>	<u>265.7</u>	<u>250.9</u>	<u>--</u>
Total Other Resources	<u>\$ 539.9</u>	<u>\$ 554.2</u>	<u>\$ 499.0</u>	<u>\$ 487.0</u>	<u>321.3</u>
Total Available Resources ⁽¹⁾	<u>\$ 10,651.8</u>	<u>\$ 11,065.5</u>	<u>\$ 10,778.1</u>	<u>\$ 11,419.3</u>	<u>11,172.2</u>
Expenditure by Major Category:					
Education	\$ 1,309.1	\$ 1,483.5	\$ 1,625.7	\$ 1,438.9	\$ 1,225.4
Public Protection	2,383.1	2,353.5	2,374.7	2,409.9	2,533.1
Health and Human Services	3,951.4	4,035.2	4,137.8	4,279.3	4,447.8
Capital Outlay	269.1	253.6	230.1	247.3	261.6
General Government	1,494.0	1,704.1	1,308.7	1,378.7	1,880.8
Transfer to Budget					
Stabilization Fund	94.0	100.0	75.0	265.0	100.0
Transfer to Drinking Water declarations of Emergency Reserve Fund	--	--	--	25.0	--
Transfer to Michigan Infrastructure Fund	--	--	--	35.0	--
Debt Service ⁽²⁾	149.0	148.5	130.2	104.8	107.1
Statutory Required Lapses	--	--	--	--	--
Carryforwards, Lapses, Year-End Adjustments	<u>307.2</u>	<u>364.8</u>	<u>273.3</u>	<u>447.0</u>	<u>--</u>
Total Expenditures ⁽³⁾⁽⁵⁾	<u>\$ 9,957.0</u>	<u>\$ 10,443.2</u>	<u>\$ 10,155.5</u>	<u>\$ 10,630.9</u>	<u>\$ 10,555.7</u>

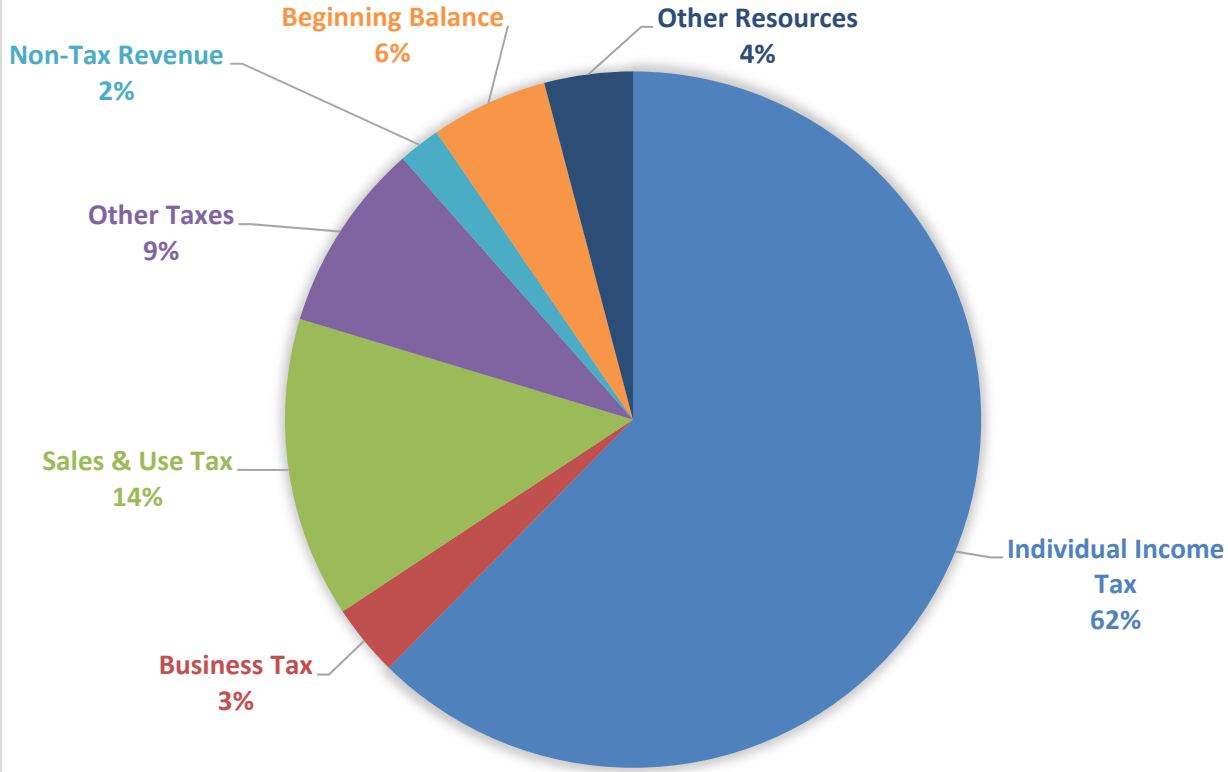
Components may not add to total due to rounding

- (1) Includes prior year ending balances carried forward into the succeeding year. The State's carry forward process is described in the State's Comprehensive Annual 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 2014-15 through 2017-18 are based on final revenues in the State of Michigan Comprehensive Annual Financial Report (SOMCAFR) for those years. Projected revenues for Fiscal Year 2018-19 are based on the May 2019 Consensus Revenue Conference. Projected expenditures for FY 2018-19 equal total enacted appropriations through June 2019. Under the State's Constitution and State Law, the State is required to maintain a balanced budget. See "BUDGET FOR FISCAL YEAR 2018-19" below and "STATE FINANCIAL PROCEDURES – The Budget Process."
- (5) Expenditures for any fiscal year may include prior appropriation year expenditures.
- (6) "Other Financing Sources" primarily represents transfers from other funds, including the Liquor Purchase Revolving Fund and the State Lottery Fund.
- (7) "Other Resources" primarily represents budgetary carry forwards and prior year lapses. These resources were available to fund current year expenditures.
- (8) 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 Comprehensive Annual Financial Report for various years. State Departments of Treasury and Technology, Management and Budget

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**CHART A. GENERAL FUND GENERAL PURPOSE REVENUES
2017-18 ACTUAL TOTAL: \$11,419.3 MILLION**



**CHART B. GENERAL FUND GENERAL PURPOSE
EXPENDITURES
2017-18 ACTUAL TOTAL: \$10,630.9 MILLION**

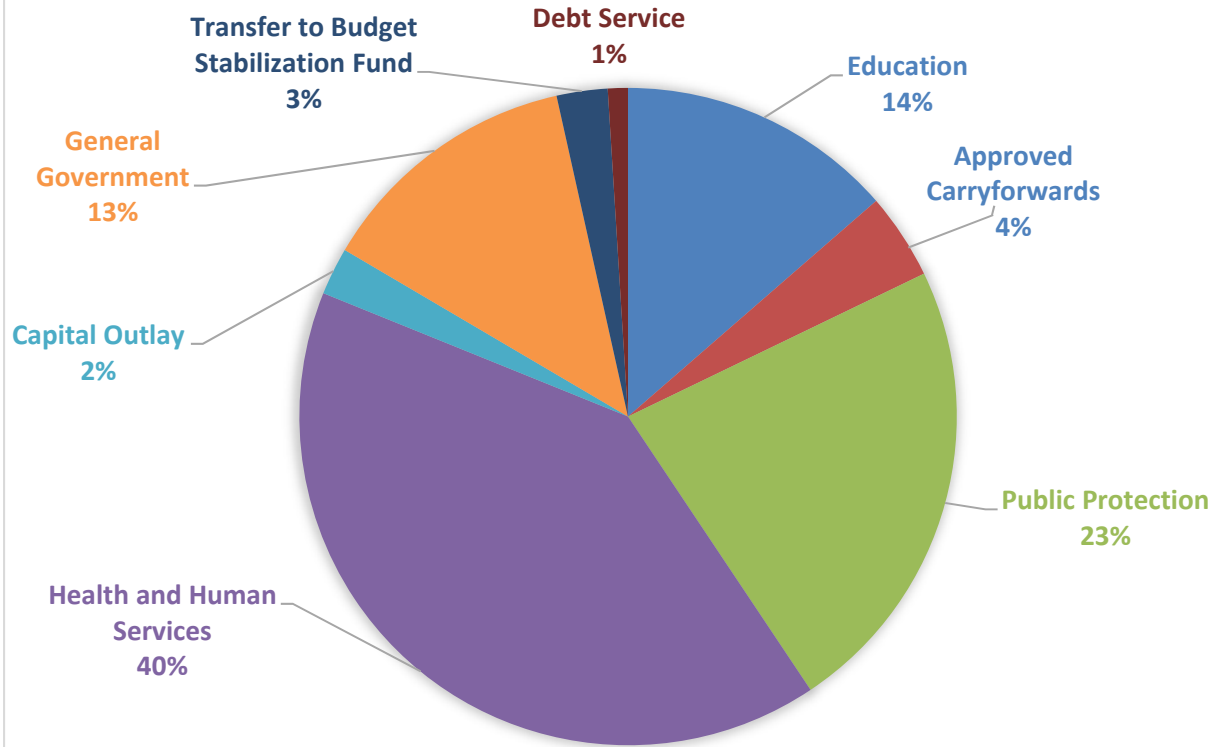


TABLE 9

**STATE EQUALIZED AND TAXABLE VALUATION BY CLASS AND USE
REAL AND PERSONAL PROPERTY VALUATIONS COMBINED
2014-2018
(Dollars Amounts in Millions)**

	2014			2015			2016			2017			2018		
	SEV	Taxable	%*	SEV	Taxable	%*	SEV	Taxable	%*	SEV	Taxable	%*	SEV	Taxable	%*
Agriculture, Timber Cutover and Developmental	\$20,494	\$10,379	2.0%	\$22,034	\$10,613	2.3%	\$23,169	\$10,666	0.5%	\$23,731	\$10,841	1.6%	\$24,210	\$11,109	2.5%
Commercial	58,831	54,166	-2.3	60,418	54,951	1.5	62,605	55,501	1.0	65,776	56,947	2.6	68,914	58,908	3.4
Industrial	29,147	28,087	1.0	30,014	28,838	2.7	24,602	23,092	-19.9	24,471	22,512	-2.5	24,996	22,654	0.6
Residential	242,390	217,229	1.4	259,196	222,683	2.5	274,930	226,803	1.9	289,601	233,318	2.9	298,806	243,040	4.2
Utility	<u>9,730</u>	<u>9,641</u>	7.5	<u>10,754</u>	<u>10,648</u>	10.4	<u>11,412</u>	<u>11,344</u>	6.5	<u>11,960</u>	<u>11,863</u>	4.6	<u>12,644</u>	<u>12,551</u>	5.8
Total	<u>\$360,593</u>	<u>\$319,502</u>	0.9	<u>\$382,415</u>	<u>\$327,733</u>	2.6	<u>\$396,718</u>	<u>\$327,406</u>	-0.1	<u>\$415,540</u>	<u>\$335,481</u>	2.5	<u>\$429,570</u>	<u>\$348,262</u>	3.8
Real Property	\$329,173	\$288,310	0.9	\$349,297	\$294,746	2.2	\$368,819	\$299,598	1.6	\$387,768	\$307,823	2.7	\$401,302	\$320,076	4.0
Personal Property	<u>31,419</u>	<u>31,192</u>	0.7	<u>33,118</u>	<u>32,986</u>	5.8	<u>27,899</u>	<u>27,808</u>	-15.7	<u>27,772</u>	<u>27,658</u>	-0.5	<u>28,268</u>	<u>28,185</u>	1.9
Total	<u>\$360,593</u>	<u>\$319,502</u>	0.9	<u>\$382,415</u>	<u>\$327,733</u>	2.6	<u>\$396,718</u>	<u>\$327,406</u>	-0.1	<u>\$415,540</u>	<u>\$335,481</u>	2.5	<u>\$429,570</u>	<u>\$348,262</u>	3.8

* 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 42 percent from the payment of State taxes and 58 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 new use tax earmark to the Local Community Stabilization Authority totaled \$96.4 million in Fiscal Year 2016, \$380.9 million in Fiscal Year 2017 and \$410.8 million in Fiscal Year 2018. The earmark for Fiscal Year 2019 is \$438.0 million. 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 December 1, 2018, the percentage of gross collections before refunds equal to 0.954 percent divided by the tax rate, 22.45 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.

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 70 percent of total revenue in Fiscal Year 2013-14, Fiscal Year 2014-15 and 71 percent in both Fiscal Year 2015-16 and Fiscal Year 2016-17. In Fiscal Year 2017-18, Special Purpose revenues accounted for 70 percent of total revenue.

Federal aid accounted for approximately 73 percent of Special Purpose revenues in Fiscal Year 2013-14 and the federal aid share increased to 75 percent in Fiscal Year 2014-15, and decreased to 74 percent in Fiscal Year 2015-16 and Fiscal Year 2016-17. In FY 2017-18, the federal aid share decreased to 72 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 two thirds of total General Fund expenditures are made for education and various assistance programs by the Department of Health and Human Services.

State support of public education consists of aid to local and intermediate school districts, charter schools, state universities, community colleges, and the Department of Education, which is responsible for administering a variety of programs which provide additional special purpose funding for local and intermediate school districts.

The Department of Health and Human Services administers economic, social and medical assistance programs, including Medicaid and the Temporary Assistance to Needy Families (“TANF”) block grant, which represent the major portion of social services expenditures. The TANF grant requires state contributions tied to a 1994 maintenance of effort level. The Medicaid program continues on a matching basis, i.e., with federal funds supplying more than 50 percent of the fund.

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, 2014 through 2018. 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, 2014 THROUGH 2018
(Dollar Amounts in Millions Reported on a Cash Basis)**

September 30	Combined General Fund and School Aid Fund	Budget Stabilization Fund ⁽¹⁾	Other Funds ⁽²⁾	Retirement Funds ⁽³⁾ Invested Short-Term	Bond Funds ⁽⁴⁾	Total Common Cash
2014	\$978.4	\$386.2	\$3,036.2	\$400.9	\$41.3	\$4,843.1
2015	818.8	498.1	3,395.3	177.7	32.5	4,922.4
2016	692.1	612.4	3,883.9	246.5	53.7	5,488.7
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

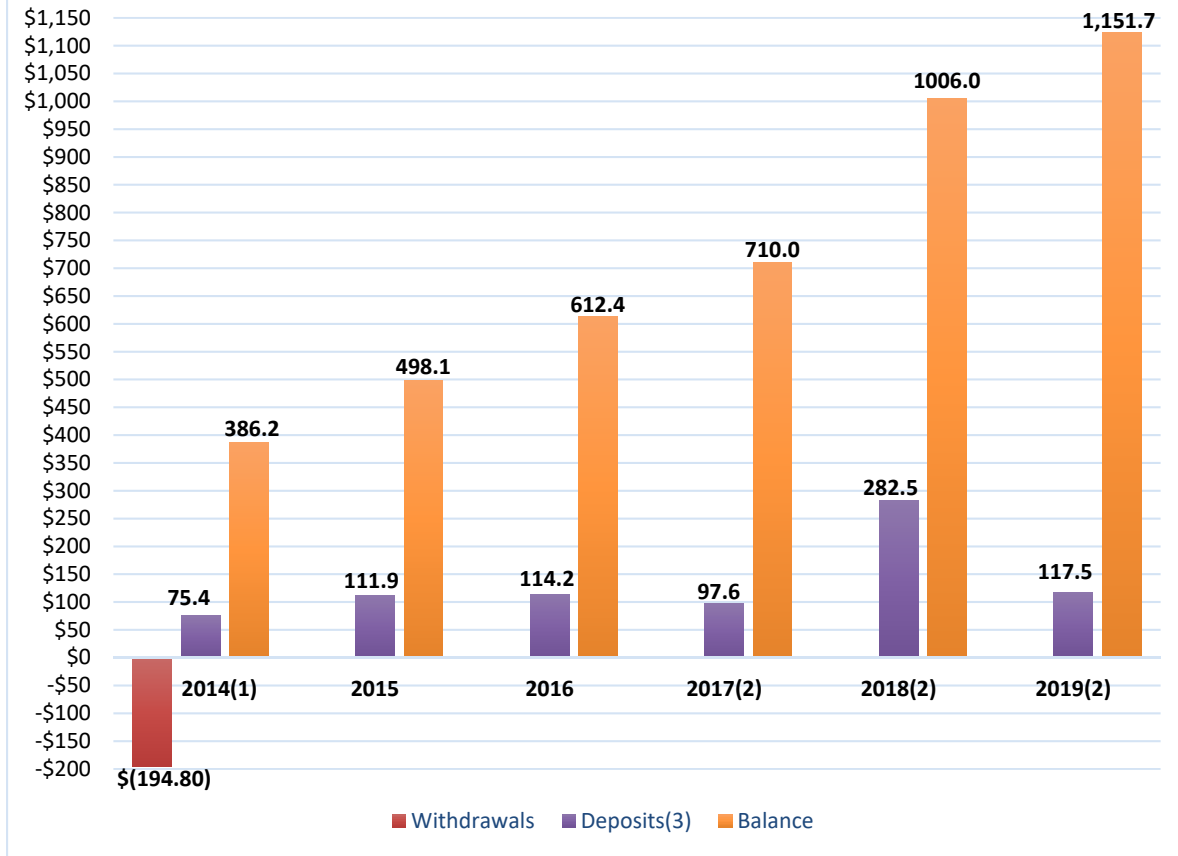
- (1) During Fiscal Year 2011, the State implemented Governmental Accounting Standards Board (“GASB”) Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definition*. As a result, the Budget Stabilization Fund was reclassified as a committed sub fund of the General Fund as of September 30, 2011.
- (2) Other Funds include Internal Service, Enterprise, Trust and Agency, Restricted Revenue Funds and State Building Authority Advance Financing Funds.
- (3) 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.
- (4) 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 for Fiscal Year 2018. A \$100 million deposit has been appropriated for Fiscal Year 2019. The fund balance at the end of Fiscal Year 2019 is expected to total \$1,151.7 million.

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



- (1) \$194.8 million was withdrawn to fund the state’s contribution to the Detroit bankruptcy agreement with annual repayments of \$17.5 million from tobacco settlement revenues.
- (2) In addition to the \$17.5 million deposit in each year, a \$100.0 million deposit has been appropriated for Fiscal Year 2019. The fund balance at the end of Fiscal Year 2019 is projected to total \$1,151.7 million.
- (3) Deposits do not include common cash interest 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 Government Accounting Standards Board (“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 YEAR 2018-19

The Fiscal Year 2018-19 General Omnibus budget was signed by the Governor on June 21, 2018, and the Education Omnibus budget was signed on June 28, 2018. Supplemental spending bills were signed into law on December 28, 2018, May 14, 2019 and June 24, 2019. The revenue estimates on which the Fiscal Year 2019 budget was based were initially estimated at the January 2018 conference and updated at the May 2018 conference, the January 2019 conference, and the May 2019 conference. The revenue estimates adopted at the May 2019 conference can be found at www.michigan.gov/treasury.

Revenues –May 2019 Consensus

Net General Fund – FY 2017-18 General Purpose revenue generated from enacted ongoing sources and estimated at the Consensus Revenue Estimating Conference is estimated to be \$11,017.1 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 were \$11,419.3 million. FY 2018-19 General Purpose revenue generated from enacted ongoing sources and estimated at the Consensus Revenue Estimating Conference is estimated to be \$10,851.7 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 \$11,172.2 million, as shown in Table 8.

Personal Income Tax - FY 2017-18 income tax collections totaled \$10,160.4 million. The General Fund - General Purpose portion of net income tax collections equaled \$7,130.2 million. FY 2018-19 income tax collections will total an estimated \$10,278.4 million. The General Fund - General Purpose portion of net income tax collections will equal an estimated \$7,118.5 million.

Michigan Business Tax, Corporate Income Tax and Single Business Tax - The MBT paid out more in refunds than will be collected in revenue in Fiscal Year 2017-18 and as a result, net collections were a negative \$646.7 million. The CIT generated \$1,019.9 million in Fiscal Year 2017-18. The SBT received negative \$1.3 million. 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 2018-19 and as a result, net collections are estimated at a negative \$607.7 million. The CIT is expected to generate \$1,186.4 million in Fiscal Year 2018-19. The SBT is expected to be negative \$65.0 million. 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 totaled \$8,078.0 million in Fiscal Year 2017-18. The General Fund - General Purpose share of sales tax revenue was \$796.0 million. Gross sales tax collections are forecast to total \$8,298.7 million in Fiscal Year 2018-19. The General Fund - General Purpose share of sales tax revenue will total an estimated \$810.4 million.

Use Tax - Gross use tax collections totaled \$1,844.2 million in Fiscal Year 2017-18. The General Fund - General Purpose portion of use tax collections will total an estimated \$801.1 million, which is net of the use tax earmarked to the Local Community Stabilization Authority of \$410.8 million. Gross use tax collections are forecast to total \$1,790.0 million in Fiscal Year 2018-19. The General Fund - General Purpose portion of use tax collections will total an estimated \$749.4 million, which is net of the use tax earmarked to the Local Community Stabilization Authority of \$438.0 million.

ECONOMIC OUTLOOK FOR 2019 AND 2020

The U.S. economy grew at a rate of 2.9 percent in 2018, as measured by real Gross Domestic Product (“GDP”). It is projected that real GDP will increase 2.4 percent in 2019 and increase 1.8 percent in 2020. U.S. light vehicle sales were 17.2 million units in 2018 but will decrease to an estimated 16.8 million units in 2019 and 16.6 million units in 2020.

The U.S. Consumer Price Index (“CPI”) rose 2.4 percent in 2018, and is expected to increase 1.8 percent in 2019 and rise 2.0 percent in 2020. Ninety-day Treasury-Bill rates averaged 1.9 percent in 2018, and are expected to average 2.4 percent in 2019 and 2.6 percent in 2020.

Total Michigan wage and salary employment increased 1.1 percent in 2018, and is projected to increase 0.8 percent in 2019 and 0.4 percent in 2020. The State’s unemployment rate fell to 4.1 percent in 2018 from 4.6 percent in 2017. The rate is expected to fall to 4.0 percent in 2019 and to return to 4.1 percent in 2020.

Michigan personal income expanded at a rate of 3.3 percent in 2018 with a growth rate of 3.6 percent forecast for 2019 and 2020.

Prices as measured by the Detroit CPI, rose 2.4 percent in 2018 and are projected to increase 1.5 percent in 2019 and to rise 1.9 percent in 2020. As a result, real (inflation adjusted) personal income increased 1.0 percent in 2018 and will increase a projected 2.1 percent in 2019 and will rise 1.6 percent in 2020.

The executive summary from the May 2019 Consensus Revenue Estimating Conference is available at 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.

Taxpayers for Michigan Constitutional Government Pending Litigation

On September 7, 2016 Taxpayers for Michigan Constitutional Government (“Taxpayers”) filed a complaint in the Michigan Court of Appeals alleging various violations of the requirements of the Headlee Amendment and its associated Constitutional provisions. Defendants, the State of Michigan, the Department of Technology, Management and Budget, and the Michigan Auditor General, filed their answer to the complaint and sought dismissal on various grounds. The court did not dismiss, but instead ordered cross motions for summary disposition and allowed a period of limited discovery. At the close of discovery, one of the counts in the complaint was dismissed by stipulation of the parties. The parties filed

cross-motions for summary disposition on the remaining counts, followed by the parties' respective answers and reply briefs. The matter is pending decision after briefing and oral argument.

At this point in time it is difficult to estimate the potential impact of the suit. This difficulty is in no small part due to the sweeping yet imprecise allegations in the complaint. The Taxpayers alleged they are entitled to billions, spanning years, based on how the State accounts for annual revenue sharing with local governments under the Headlee Amendment. Any relief under the Headlee Amendment is subject to one year statute of limitations, with other relief, if any, being applied prospectively. Accordingly it is difficult to assess the potential budgetary impact, if any, of this litigation.

Flint Pending Litigation

As of May 22, 2019, there are numerous cases currently pending and approximately 2,795 persons have filed 690 notices of intent to sue, in the Michigan Court of Claims, some of whom have already filed suit related to the drinking water in the City of Flint. Specifically, there are presently 93 pending cases (69 at the federal level and 24 at the state level) involving parties represented by the Michigan Department of 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. A few preliminary rulings have been issued that are subject to appeals. It is likely the cases will take some time to resolve. While no specific additional actions are presently known, there is the possibility that more lawsuits could be filed and that some could be consolidated or dismissed. In addition, the State has taken and could take further voluntary action to address the drinking water situation in the City of Flint. Because the allegations of violations have not been litigated or proven, and because some legislative proposals have been discussed but not enacted, it is premature to assess what effect, if any, these lawsuits or actions might have on the State budget.

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, 2018.

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, 2018.

For Fiscal Years 2014, 2015, 2016, 2017 and 2018, no general obligation notes for cash flow purposes were issued. For Fiscal Year 2019 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, 2018
(Dollar Amounts in Thousands)**

Year Ending Sept 30	Principal Due	Interest Due	Annual Debt Service ⁽¹⁾	Cumulative Debt Service	Cumulative %
2019	\$ 172,403	\$ 59,247	\$ 231,650		
2020	153,144	52,364	205,508		
2021	159,705	45,865	205,570		
2022	159,479	41,047	200,526		
2023	153,613	33,961	187,574	\$1,030,828	54.75%
2024	106,385	28,652	135,037		
2025	109,240	23,752	132,992		
2026	106,197	19,440	125,637		
2027	82,371	15,605	97,976		
2028	65,586	12,219	77,805	\$1,600,274	84.99%
2029	68,307	9,313	77,620		
2030	44,059	15,002	59,061		
2031	43,740	4,708	48,448		
2032	45,430	3,211	48,641		
2033	<u>47,230</u>	<u>1,633</u>	<u>48,863</u>	\$1,882,907	100.00%
Total	<u>\$1,516,888</u>	<u>\$366,019</u>	<u>\$1,882,907</u>		

⁽¹⁾ 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, 2014 through 2018 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, 2014 THROUGH 2018
(Dollar Amounts in Millions)

Fiscal Year Ended September 30	Bonds Issued	Bonds Matured	Bonds Outstanding End of Period ⁽²⁾
2014	\$ 85.3	\$ 220.2	\$1,942.4
2015	129.1	191.8	1,734.2
2016	271.3	201.1	1,624.5
2017	119.6	187.3	1,550.2
2018 ⁽¹⁾	149.2	168.0	1,531.0
TOTAL	<u>\$ 754.5</u>	<u>\$ 968.4</u>	

(1) The State issued \$149.2 million in General Obligation Environmental Program Bonds

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

The presentation of this table has changed by omitting refunding bond proceed amounts.

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, 2014 THROUGH 2018
(Dollar Amounts in Millions)

	2014	2015	2016	2017	2018
Debt Service of General Obligation Bonds	\$ 307.2	\$ 274.8	\$ 274.6	\$ 255.3	\$ 230.1
General Purpose Portion of General Fund Revenues	\$ 10,121.3	\$ 10,651.8	\$ 11,065.5	\$ 10,778.1	\$ 11,442.0
Debt Service as Percent of Total Available Resources	3.0%	2.6%	2.5%	2.4%	2.0%

The presentation of this table has changed by omitting refunding bond proceed amounts from debt service.

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 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, 2018, outstanding principal of and interest on school district loans from the State totaled approximately \$936.2 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)**

Year Ended December 31	Bonds Issued	Bonds Retired	Bonds Outstanding End of Period
2014	\$1,259,870	\$1,433,344	\$13,016,973
2015	3,192,720	2,959,799	13,249,894
2016	2,890,695	2,464,661	13,675,928
2017	2,117,847	2,351,763	13,442,012
2018	949,470	1,261,512	13,129,970

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, 2018
(Dollar Amounts in Thousands)

<u>Year Ending December 31,</u>	<u>Principal Due</u>	<u>Interest</u>	<u>Annual Debt Service ⁽¹⁾</u>	<u>Cumulative Debt Service</u>	<u>Percent of Total</u>
2019	\$1,216,926,221	\$591,548,607	\$1,808,474,828		
2020	1,258,825,221	549,593,817	1,808,419,038		
2021	1,246,876,221	479,676,276	1,726,552,497		
2022	1,076,044,221	415,980,297	1,492,024,518		
2023	927,725,221	370,814,844	1,298,540,065	\$8,134,010,946	45.44%
2024	770,656,221	333,342,252	1,103,998,473		
2025	703,330,221	300,493,981	1,003,824,202		
2026	694,151,221	269,511,194	963,662,415		
2027	711,231,846	237,747,726	948,979,572		
2028	591,528,000	204,256,755	795,784,755	\$12,950,260,363	72.34%
2029	555,555,000	177,565,663	733,120,663		
2030	478,290,000	152,172,505	630,462,505		
2031	441,205,000	130,470,203	571,675,203		
2032	363,275,000	110,130,213	473,405,213		
2033	315,060,000	93,556,243	408,616,243	\$15,767,540,190	88.08%
2034	283,390,000	79,105,424	362,495,424		
2035	251,595,000	65,620,147	317,215,147		
2036	218,055,000	53,498,085	271,553,085		
2037	201,965,000	43,171,075	245,136,075		
2038	176,665,000	33,704,256	210,369,256	\$17,174,309,177	95.93%
2039	155,390,000	25,052,154	180,442,154		
2040	119,870,000	17,304,764	137,174,764		
2041	97,295,000	12,387,052	109,682,052		
2042	69,470,000	8,764,986	78,234,986		
2043	53,940,000	5,838,933	59,778,933	\$17,739,622,066	99.09%
2044	42,115,000	4,213,388	46,328,388		
2045	36,995,000	3,189,031	40,184,031		
2046	34,315,000	1,853,548	36,168,548		
2047	24,525,000	1,155,302	25,680,302		
2048	<u>13,705,000</u>	<u>677,089</u>	<u>14,382,089</u>	\$17,902,365,424	100.00%
TOTAL	<u>\$13,129,969,614</u>	<u>\$4,772,395,810</u>	<u>\$17,902,365,424</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, 2018
(Dollar Amounts in Thousands)

	<u>Total Authorization</u>	<u>Remaining Authorization*</u>	<u>Outstanding Balance</u>
General Obligation Notes ⁽¹⁾			\$ 0
Environmental Protection Bonds	\$ 660,000	\$ 0	62,419
Recreation Bonds	140,000	0	0
School Bonds and Notes	(2)	(2)	721,543
Clean Michigan Initiative Bonds	675,000	37,593	250,653
Great Lakes Water Quality Bonds	1,000,000	345,012	<u>482,273</u>
TOTAL GENERAL OBLIGATION DEBT			<u><u>\$ 1,516,888</u></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.

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.

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.

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TABLE 17¹

**DEBT SERVICE SCHEDULE OF STATE
BUILDING AUTHORITY REVENUE
BONDS PAYABLE AS A GENERAL FUND
CONTRACTUAL OBLIGATION
AS OF SEPTEMBER 30, 2018
(Dollar Amounts in Thousands)**

Year Ending September 30	Annual Debt Service
2019	\$236,343
2020	216,123
2021	216,163
2022	215,060
2023	216,303
2024-2028	1,075,093
2029-2033	1,096,496
2034-2038	836,869
2039-2043	453,883
2044-2048	229,271
2049-2052	63,837
TOTAL	\$4,855,441

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.

Act 451 provides that the aggregate principal amount of State Park Revenue Bonds shall not exceed \$100 million. The Commission had \$5.3 million of outstanding State Park Revenue Bonds as of September 30, 2018.

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.

¹ Interest on variable rate bonds assume interest rates as of 9/30/18 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.

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, 2018, MSHDA had a \$100,000,000 Revolving Line of Credit with Barclays.

All MSHDA general obligation bonds and notes are secured by a Capital Reserve Capital Account which as of September 30, 2018 contained approximately \$97.6 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, 2018 totaled approximately \$80.8 million in investments, with an additional \$67.9 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, 2018, approximately \$90.4 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 \$1,216 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, 2018, MTSFA had \$1,152 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.

TABLE 18

**STATEMENT OF SPECIAL OBLIGATION AND STATE-RELATED REVENUE DEBT
AMOUNTS OUTSTANDING AS OF SEPTEMBER 30, 2018
(Dollar Amounts in Thousands)**

	<u>As of September 30, 2018</u>			2014	2015	2016	2017	2018
	Total Authorization	Total Issued	Remaining Authorization					
State Related Debt:								
Department of Transportation Dedicated Tax Obligation Act 51, P.A. 1951 State Trunkline Fund	(1)	\$3,963,980	(1)	\$1,084,680	\$973,285	\$846,470	\$724,635	\$597,430
Comprehensive Transportation	(1)	<u>1,159,972</u>	(1)	<u>150,760</u>	<u>131,525</u>	<u>115,000</u>	<u>97,825</u>	<u>79,775</u>
Total Transportation Tax Dedicated Bonds	(1)	\$5,123,952	(1)	\$1,235,440	\$1,104,810	\$961,470	\$822,460	\$677,205
MDOT Grant Anticipation Bonds and Notes	(1)	1,974,135	(1)	724,960	716,305	616,625	607,110	601,285
Revenue Bonds Payable from General Fund Contractual Obligations⁽²⁾								
State Building Authority ⁽³⁾	\$2,700,000	6,931,500	\$1,014,100	3,105,869	3,107,035	3,031,728	3,053,655	2,957,850
Department of Natural Resources State Park Revenue Bonds	100,000	<u>15,500</u>	84,500	<u>8,700</u>	<u>7,900</u>	<u>7,060</u>	<u>6,185</u>	<u>5,265</u>
TOTAL STATE RELATED DEBT		<u>\$14,045,087</u>		<u>\$5,074,969</u>	<u>\$4,936,050</u>	<u>\$4,616,883</u>	<u>\$4,489,410</u>	<u>\$4,241,605</u>
Non-State Related Debt:								
Michigan State Housing Development Authority General Obligation Bonds ⁽⁴⁾	4,200,000	(4)	(4)	2,020,105	2,092,780	2,362,250	2,100,310	2,434,300
Michigan Tobacco Settlement Finance Authority	(5)	1,215,900	(5)	1,100,657	1,113,951	1,129,016	1,145,120	1,151,951
Michigan Finance Authority Unemployment Obligation Assessment Bonds	(6)	<u>6,240,135</u>	(6)	<u>2,529,216</u>	<u>2,106,839</u>	<u>1,657,417</u>	<u>1,253,161</u>	<u>758,691</u>
TOTAL NON- STATE RELATED DEBT		<u>\$ 7,456,035</u>		<u>\$5,649,978</u>	<u>\$5,313,570</u>	<u>\$5,148,683</u>	<u>\$4,498,591</u>	<u>\$4,344,942</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 13, 2019 was \$117.165 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, 2018 was \$3.4 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. MTSFA has issued a total of \$1,216 million in bonds pledging 24.11% of the State’s TSRs.
 - (6) Unemployment Obligation Assessment (UOA) Bonds are 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.

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, 2014 through 2018.

TABLE 19
CERTAIN STATE BONDED DEBT RATIOS

Reference Date:	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Total General Obligation Debt (000s)	\$1,927,262	\$1,719,424	\$1,609,443	\$1,535,736	\$1,516,888
Total Special Obligation Debt (000s)	\$5,074,969	\$4,936,050	\$4,616,883	\$4,489,400	\$4,241,605
Population (000s)	9,931	9,933	9,952	9,976	9,996
Equalized Value (000,000s)	\$360,593	\$382,415	\$396,718	\$415,540	\$429,570
Personal Income (000,000s fiscal year)	\$401,902	\$425,411	\$441,306	\$456,850	\$471,036
General Obligation Debt:					
Per Capita Debt	\$194.07	\$173.10	\$161.72	\$153.94	\$151.75
Debt to State Equalized Value	0.53%	0.45%	0.41%	0.37%	0.35%
Debt to Personal Income	0.48%	0.40%	0.36%	0.34%	0.32%
Special Obligation Debt:					
Per Capita Debt	\$511.02	\$496.93	\$463.92	\$450.02	\$424.33
Debt to State Equalized Value	1.41%	1.29%	1.16%	1.08%	0.99%
Debt to Personal Income	1.26%	1.16%	1.05%	0.98%	0.90%

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 (“MPSERS”);
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 “MPSERS – Retiree Healthcare Reform of 2012” to MPSERS.

MPSERS 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, 2018, 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 2017-18 Required Contribution Rate:						
State	N/A	41.87–50.64%	99.63–108.58%	(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-18 years as of 10/1/2020	Pension-16 years as of 10/1/2020	Pension-18 years as of 10/1/2020	Pension-10 years	Pension-18 years as of 10/1/2018	18 years as of 10/1/2020
	OPEB-18 years as of 10/1/2020	OPEB-16 years as of 10/1/2020	OPEB-18 years as of 10/1/2020	OPEB-23 years	OPEB-18 years as of 10/1/2018	
Asset Valuation Method	Pension-5-years smoothed market	Pension-5-years smoothed market	Pension5-years smoothed market	Pension-5-years smoothed market	Pension-5-years smoothed market	Pension-5-years smoothed market
	OPEB-5-years smoothed market	OPEB-5-years smoothed market	OPEB-5-years smoothed market	OPEB-fair value	OPEB-5-years smoothed market	
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 Plus- 6.8% Pension Plus 2- 6%(9) OPEB-6.95%	Pension-6.7% OPEB-6.9%	Pension Plus- 6.85% Non Pension Plus-6.8% OPEB-6.9%	Pension-7.0% OPEB-4.0%	Pension-6.25% OPEB-7.0%	6.75%
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	2.75% compounded for those eligible

(1) The required contribution amount expressed in dollars is \$7.9 million in accordance with the 2016 valuation. No employer contributions were made in FY2018 for pension benefits.

- (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 2017-18, the State made a required contribution to the pension plan of \$1,736,417 and \$539,300 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 2017-18, the State contributed \$16,244,800 to the MRP pension plan. The amount contributed in FY 2018 was in excess of the required contribution for the purpose of increasing the funding ratio.
- (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. Eligible legislators make a 0 to 9 percent annual contribution to a Health Insurance Reserve Fund.
- (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 ⁽¹⁾
(Dollar Amounts in Millions)

Retirement Fund	Sept. 30, 2014	Percent Funded	Sept. 30, 2015	Percent Funded	Sept. 30, 2016	Percent Funded	Sept. 30, 2017	Percent Funded	Sept. 30, 2018	Percent Funded
MPSERS	\$26,479.0	59.9%	\$26,721.0	60.5%	\$29,107.0	59.7%	\$29,438.0	61.6%	\$32,745.0	60.7%
SERS	6,211.0	61.6	5,821.0	64.2	6,078.0	64.3	5,997.0	66.5	6,501.0	65.8
SPRS	666.6	63.0	654.2	64.7	734.9	63.4	749.0	65.1	771.8	66.0
MRP	⁽²⁾	⁽²⁾	47.3	0.0	46.0	7.4	45.3	9.2	39.6	30.3
LRS	56.9	70.4	58.6	69.6	57.2	69.9	59.9	68.3	⁽³⁾	⁽³⁾
JRS	10.9	95.8	7.9	96.9	<u>(2.7)</u>	101.1	1.9	99.3	6.1	97.8
TOTALS	<u>\$33,424.4</u>		<u>\$33,310.0</u>		<u>\$36,020.4</u>		<u>\$36,291.10</u>		<u>\$40,063.5</u>	

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

(2) Actuarial valuation performed biennially during this period.

(3) This data is not yet available.

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, 2018**

Retirement Fund	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (assets)	Fiduciary Net Position as Percentage of Total Pension Liability
MPSERS	\$ 81,044,341	\$ 50,343,498	\$ 30,700,843	62.12%
SERS	18,444,887	12,398,002	6,045,886	67.22
SPRS	2,197,152	1,492,399	704,753	67.92
MRP	49,299	16,950	35,524	32.30
LRS	239,688	125,448	114,239	52.34
JRS	271,824	271,116	707	99.74
TOTALS	<u>\$102,247,191</u>	<u>\$64,647,413</u>	<u>\$ 37,601,952</u>	

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 2017-18 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 \$1,038.3 million from the School Aid Fund.

See litigation section in reference to the Supreme Court Case involving participant contributions.

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 22.14% for Fiscal Year 2018. 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)**

Health Plan	Valuation Date September 30,	Unfunded Actuarial Accrued Liability ("UAAL")	Percent Funded
SERS	2018	\$8,068,673	24.1%
SPRS	2018	586,046	24.6%
LRS	2018	(1)	(1)
JRS	2018	7,321	13.1%
(1)	This data is not yet available.		

Comprehensive Annual Financial Reports of SERS, SPRS, MPSERS, JRS and MRP may be found at 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 with the Talent Investment Agency of the Department of Talent and Economic Development 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 Talent Investment Agency for the purpose of paying unemployment benefits to individuals meeting the eligibility requirements outlined in State law. As of September 30, 2018 the balance in the State’s Unemployment Insurance Trust Fund was \$4,196 billion.

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, 2018, 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, 2018 totaled \$463 billion.

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.

APPENDIX V
CERTAIN INFORMATION CONCERNING THE
CITY OF FLINT, MICHIGAN

The information contained in Appendix V has been furnished by the City of Flint, Michigan. No representation is made by the Authority, the State, the Trustee 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.

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CITY OF FLINT
County of Genesee, State of Michigan



PROPERTY VALUATIONS

Historical Valuations

<u>Year</u>	<u>Taxable Value</u>	<u>Renaissance Zone</u>	<u>Total Taxable Value</u>	<u>Change</u>	<u>State Equalized Value</u>	<u>Change</u>	<u>Equivalent IFT Value</u>
2019	\$742,647,433	\$12,650,318	\$755,297,751	1.20%	\$877,906,947	3.30%	\$19,943,583
2018	733,885,761	12,444,819	746,330,580	2.83%	849,890,242	4.68%	19,193,615
2017	714,582,817	11,208,802	725,791,619	0.50%	811,880,174	1.83%	16,087,909
2016	710,934,838	11,241,095	722,175,933	-5.69%	797,297,700	2.83%	14,835,436
2015	749,945,990	15,801,353	765,747,343	-0.65%	775,382,450	-0.82%	9,885,700

Source: Genesee County Equalization Department

Per Capita Valuation

2010	U.S. Census Population	102,434
2019	Per Capita Taxable Value (using 2010 Census numbers)	\$7,373.51
2019	Per Capita State Equalized Value (using 2010 Census numbers)	\$8,570.46
2019	Per Capita Estimated True Cash Value	\$17,140.93

Source: U.S. Census Bureau

Tax Increment Authorities

The City of Flint has one DDA district. The 2018 Captured Taxable Value is \$48,185,643.

Source: City of Flint

Tax Base Composition

By Class	<u>2019 Taxable Value*</u>	<u>Percent of Total</u>
Real Property	\$591,965,533	79.71%
Personal Property	150,681,900	20.29%
TOTAL	\$742,647,433	100.00%

By Use	<u>2019 Taxable Value*</u>	<u>Percent of Total</u>
Commercial	\$179,959,673	24.23%
Industrial	73,505,183	9.90%
Residential	338,500,677	45.58%
Personal	150,681,900	20.29%
TOTAL	\$742,647,433	100.00%

*Does not include the Renaissance Zone valuation.

Source: Genesee County Equalization Department

CITY OF FLINT
County of Genesee, State of Michigan



MAJOR TAXPAYERS:

Taxpayer	Product/Service	2019	"Equivalent"	2019
		Taxable Value	IFT Value ¹	Total Valuation
Consumers Energy	Utility	\$94,364,409	\$0	\$94,364,409
General Motors Company	Automotive	18,652,455	3,070,596	21,723,051
4400 Matthews Drive LLC	Property Owner	6,785,440	0	6,785,440
Continental Drive LP	Property Owner	4,909,100	0	4,909,100
Barrette Outdoor Living, Inc.	Fencing & Railing	4,112,080	0	4,112,080
Comcast Cablevision	Communication	4,096,100	0	4,096,100
Lear Corporation	Automotive	67,733	2,618,900	2,686,633
Erie Investments No. 20 LLC	Apartments	2,228,900	0	2,228,900
Evergreen Reg. Townhome	Townhouses	2,200,000	0	2,200,000
Simply Storage Flint, LLC	Self Storage	2,177,100	0	2,177,100
TOTAL		\$139,593,317	\$5,689,496	\$145,282,813
2019 Total Taxable Value		\$755,297,751		
Top 10 Taxpayers as a % of Total Taxable Value		18.48%		

¹Represents 50% of the actual Taxable Value.

Source: City of Flint

TAX RATES:

City of Flint	2018	2017	2016	2015	2014
Operating	7.5000	7.5000	7.5000	7.5000	7.5000
Public Improvement	2.5000	2.5000	2.5000	2.5000	2.5000
Neighborhood Police	2.0000	2.0000	2.0000	2.0000	2.0000
Parks & Recreation	0.5000	0.5000	0.5000	0.5000	0.5000
Paramedic Service	0.6000	0.6000	0.6000	0.6000	0.6000
Police & Fire	<u>6.0000</u>	<u>6.0000</u>	<u>6.0000</u>	<u>6.0000</u>	<u>6.0000</u>
TOTAL	<u>19.1000</u>	<u>19.1000</u>	<u>19.1000</u>	<u>19.1000</u>	<u>19.1000</u>
County of Genesee	8.7243	8.7819	8.7819	8.7819	8.7819
Flint Community Schools					
Non-Homestead	22.0000	22.0000	22.0000	22.0000	22.0000
Homestead	4.0000	4.0000	4.0000	4.0000	4.0000
State Education Tax	6.0000	6.0000	6.0000	6.0000	6.0000
Genesee ISD	3.7732	3.7826	3.7826	3.5341	3.5341
Flint Public Library	4.0000	4.0000	4.0000	4.0000	3.4000
Mott Community College	<u>1.9847</u>	<u>2.8096</u>	<u>2.8096</u>	<u>2.8596</u>	<u>2.8596</u>
Total Principal Residence	<u>47.5822</u>	<u>48.4741</u>	<u>48.4741</u>	<u>48.2756</u>	<u>47.6756</u>
Total Non-Principal Residence	<u>65.5822</u>	<u>66.4741</u>	<u>66.4741</u>	<u>66.2756</u>	<u>65.6756</u>

Source: City of Flint and Genesee County Equalization Department

TAX RATE LIMITATION:

The City is authorized to levy the following tax rates:

	2018		Expiration Date of Levy
	Millage Authorized	Maximum Allowable Millage after Rollback	
Operating	7.5000	7.5000	Indefinite
Neighborhood Police	2.0000	2.0000	12/31/2022
Public Improvements	2.5000	2.5000	Indefinite
Paramedic Service	0.6000	0.6000	06/30/2021
Parks & Recreation	0.5000	0.5000	12/31/2026
Police & Fire	6.0000	6.0000	12/31/2021

Source: City of Flint

CITY OF FLINT
County of Genesee, State of Michigan



REVENUES FROM THE STATE OF MICHIGAN:

State of Michigan Fiscal Year Ended <u>September 30</u>	Constitutional Revenue Sharing <u>Payments</u>	Statutory Revenue Sharing/ <u>EVIP Payments</u>	Total <u>Revenue Sharing</u>
2018	\$8,434,202	\$6,761,404	\$15,195,606
2017	8,220,751	6,678,491	14,899,242
2016	7,772,765	6,678,491	14,451,256
2015	7,780,240	6,678,491	14,458,731
2014	7,659,931	6,480,642	14,140,573

Source: Department of Treasury via website at www.michigan.gov/treasury

LABOR FORCE:

<u>Employee Group</u>	<u>Full Time Number of Employees</u>	<u>Part Time Number of Employees</u>	<u>Affiliation</u>	<u>Contract Expiration</u>
Clerical/Labor	185	17	AFSCME Local 1600	06/30/16*
Supervisory/Professional	43	0	AFSCME Local 1799	06/30/16*
Police Patrol / Sergeants	85	0	Flint Police Officers Assn.	06/30/19
Police Captains & Lieutenants	7	0	Flint Police Cap'ts & L'ts. Assn.	06/30/17*
Firefighters	90	0	Int'l. Assn. of Firefighters No. 352	06/30/21
Exempt Employees	39	17	Non-Affiliated	N/A
Appointees/Elect	23	9	Non-Affiliated	N/A
TOTAL	472	43		

*In negotiations.

Source: City of Flint

TAX LEVIES AND COLLECTIONS:

<u>Levy Year</u>	<u>Fiscal Year</u>	<u>Operating Tax Levy</u>	<u>Collections to March 1</u>		<u>Collections Plus Funding to June 30</u>	
			<u>Dollar Amt.</u>	<u>Percentage</u>	<u>Dollar Amt.</u>	<u>Percentage</u>
2018	2019	\$25,820,234	\$16,545,726	64.08%	N/A	
2017	2018	21,957,087	15,190,410	69.18%	\$19,814,665	90.24%
2016	2017	21,805,219	15,198,951	69.70%	18,451,890	84.62%
2015	2016	23,794,281	16,075,993	67.56%	19,381,146	81.45%
2014	2015	25,961,448	16,852,314	64.91%	21,518,002	82.88%

Source: City of Flint

CITY INCOME TAX:

<u>Year Ended June 30</u>	<u>Net Income Tax</u>
2018	\$15,277,949
2017	15,487,439
2016	15,540,594
2015	14,314,826
2014	13,038,275

Source: City of Flint

CITY OF FLINT
County of Genesee, State of Michigan



PENSION FUND:

Michigan Municipal Employees' Retirement System

Schedule of Employer Contributions

Year Ended June 30	General, Police & Fire Benefit Groups	Hurley Medical Center Benefit Group
2018	\$22,756,482	\$22,043,768
2017	16,964,535	21,315,066
2016	16,598,425	14,609,493
2015	16,545,459	5,930,118
2014	16,409,676	9,333,014

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
6/30/2017	\$548,844,656	\$203,099,492	\$345,745,164	37.00%	\$16,418,398	2105.84%
6/30/2016	554,028,549	208,965,319	345,063,230	37.72%	18,783,674	1837.04%
6/30/2015	538,869,339	253,510,974	285,358,365	47.04%	18,635,475	1531.26%
6/30/2014	552,783,134	291,869,102	260,914,032	53.00%	23,285,420	1120.50%
6/30/2011	506,504,000	829,380,000	322,876,000	61.07%	63,063,000	511.99%

Other Post Employment Benefits (OPEB)

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
7/1/2016	-	293,607,373	293,607,373	0.00%	16,418,398	1788.00%
7/1/2015	137,998	273,817,859	273,679,861	0.10%	17,892,129	1530.00%
7/1/2014	137,927	240,734,057	240,596,130	0.10%	-	-
7/1/2013	14,237	240,539,434	240,525,197	-	-	-
7/1/2012	166,903	320,180,757	320,013,854	0.10%	-	-

For further information on the city's Michigan Municipal Employees' Retirement System, refer to Note 16 in the Notes to Financial Statements of the City's fiscal year ended June 30, 2018 audited financial statements.

Source: *City of Flint & Audited Financial Statements*

CITY OF FLINT
County of Genesee, State of Michigan



DEBT STATEMENT:

As of June 26, 2019

	<u>Bonds Dated</u>	<u>Final Maturity</u>	<u>Principal Outstanding</u>
General Obligation			
Fiscal Stabilization Bonds, LT	04/13/2011	11/01/2035	\$6,530,000
Capital Improvement, Public Garage/Parking, LT	12/28/2007	11/01/2032	7,320,000
Emergency Loan Note	04/29/2015	06/01/2030	5,350,000
Revenue Bonds			
Water Revenue, DWRF*	05/17/2017	10/01/2037	40,000,000
Water Revenue, DWRF*	12/14/2018	10/01/2038	77,740,825
Authority Revenue Bonds - No City Pledge			
Hurley Medical Center, Series 2010, SSAuth	03/25/2010	07/01/2039	31,215,000
Hurley Medical Center, Series 2013A, SSAuth	04/02/2013	07/01/2039	21,925,000
Hurley Medical Center, Series 2013B, SSAuth	04/02/2013	07/01/2028	19,860,000
Share of Authority Issued Bonds			
Karegnondi Water Supply System, LT	04/16/2014	11/01/2043	72,120,800
Karegnondi Water Supply System 2016, LT	06/10/2016	05/01/2018	22,100,040
TOTAL DIRECT DEBT			<u>304,161,665</u>
Less: Authority Revenue Bonds			(73,000,000)
Revenue Bonds			(117,740,825)
Karegnondi Water Authority Bonds			(94,220,840)
TOTAL DIRECT DEBT			<u>\$19,200,000</u>

*Bonds are subject to 100% forgiveness so long as the City continues to comply with the terms of the loans.

Source: *Municipal Advisory Council of Michigan*

LEGAL DEBT MARGIN:

State Equalized Valuation - 2019		\$877,906,947
Debt Limit - 10% of State Equalized Valuation		\$87,790,695
Amount of Direct Debt Outstanding	\$304,161,665	
Less: Authority Revenue Bonds	(73,000,000)	
Revenue Bonds	(117,740,825)	
Karegnondi Water Authority Bonds	(94,220,840)	
Total Subject to Debt Limit	<u>\$19,200,000</u>	
Additional Debt Which Could be Legally Incurred		<u>\$68,590,695</u>

**City of Flint
General Fund Budget Summary**

	As Adopted 2018/19
Revenue:	
Property Taxes	\$4,711,868
Income Taxes	16,230,230
Interest Income	282,620
State Revenue	19,259,154
Charges for Services	9,857,170
Other Revenue	107,193
Fines & Forfeitures	364,343
Licensing, Permits & Franchise Fees	1,413,660
Federal Revenue	259,050
Total Revenue	\$52,485,288
Expenditures:	
General Government	\$18,752,385
City Council	859,153
Judicial	917,755
Public Safety	32,765,447
Community Development	664,071
Facilities Maintenance Municipal Bldg.	1,471,018
Total Expenditures	\$55,429,829
Excess of Expenditures (over) under Revenues	(\$2,944,541)
Other Financing Sources (Uses):	
Transfers In	\$3,358,706
Transfers Out	(15,641)
Total Other Financing Sources (Uses):	\$3,343,065
Excess of Revenue & Other Sources Over (Under) Expenditures & Other Uses	\$398,524
Fund Balance - Beginning	\$20,374,004
Fund Balance - Ending	\$20,772,528

**City of Flint
General Fund**

Comparative Balance Sheet

	For Fiscal Years Ended June 30		
	2016	2017	2018
Assets:			
Pooled Cash and Investments	\$11,490,648	\$13,242,022	\$13,901,863
Receivables:			
Property Taxes Receivable	1,045,393	1,065,371	1,084,899
Other Receivables	2,343,804	3,534,137	4,016,487
Due From Other Governmental Units	2,636,489	2,972,195	5,048,668
Due From Component Unit, Net of Allowance	95,686	55,686	0
Total Assets	<u>\$17,612,020</u>	<u>\$20,869,411</u>	<u>\$24,051,917</u>
Liabilities:			
Accounts Payable	\$1,105,745	\$1,562,001	\$1,460,232
Checks Written Against Future Deposits	35,867	39,918	44,414
Accrued and Other Liabilities	622,926	525,143	466,419
Due to Other Funds	4,216,455	0	0
Due to Other Governmental Units	552,342	602,883	608,529
Unearned Revenue	1,817	0	0
Total Liabilities	<u>\$6,535,152</u>	<u>\$2,729,945</u>	<u>\$2,579,594</u>
Deferred Inflows of Resources:			
Property Taxes	\$1,039,287	\$1,065,674	\$1,098,319
Total Deferred Inflows of Resources	<u>\$1,039,287</u>	<u>\$1,065,674</u>	<u>\$1,098,319</u>
Fund Balance:			
Unassigned	\$10,037,581	\$17,073,792	\$20,374,004
Total Fund Balance	<u>\$10,037,581</u>	<u>\$17,073,792</u>	<u>\$20,374,004</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$17,612,020</u>	<u>\$20,869,411</u>	<u>\$24,051,917</u>

**City of Flint
General Fund**

**Comparative Statement of Revenues,
Expenditures and Changes in Fund Balance**

	For Fiscal Years Ended June 30		
	2016	2017	2018
Revenue:			
Taxes	\$4,647,677	\$4,759,236	\$4,656,852
Income Taxes	15,864,085	15,644,292	15,471,994
Licenses and Permits	1,154,277	66,515	67,177
Federal Grants	0	0	0
State Revenue	17,924,175	18,216,677	18,837,009
Charges for Services	8,297,110	8,290,092	9,951,865
Fines and Forfeitures	815,822	288,387	238,322
Investment Income	460,798	282,178	372,818
Local Contributions	0	50,590	0
Cable Franchise Fees	0	1,022,650	979,569
Miscellaneous	301,559	455,231	361,034
Total Revenue	<u>\$49,465,503</u>	<u>\$49,075,848</u>	<u>\$50,936,640</u>
Expenditures:			
Current:			
General Government	\$10,771,374	\$10,339,533	\$12,688,374
Judicial - 68th District Court	3,783,089	901,361	858,955
Public Safety	28,517,681	31,089,339	32,775,777
Legislative	841,240	870,950	900,620
Community Development	964,038	729,330	1,257,630
Facilities Maintenance	1,661,747	1,643,145	1,799,705
Total Expenditures	<u>\$46,539,169</u>	<u>\$45,573,658</u>	<u>\$50,281,061</u>
Excess of Revenue Over (Under) Expenditures	<u>\$2,926,334</u>	<u>\$3,502,190</u>	<u>\$655,579</u>
Other Financing Sources (Uses):			
Transfers In	\$3,777,998	\$3,777,998	\$2,660,274
Transfers Out	(13,078)	(80,489)	(15,641)
Total Other Financing Sources (Uses):	<u>\$3,764,920</u>	<u>\$3,697,509</u>	<u>\$2,644,633</u>
Excess of Revenue & Other Sources Over (Under) Expenditures & Other Uses	\$6,691,254	\$7,199,699	\$3,300,212
Fund Balance - Beginning	<u>\$3,346,327</u>	<u>\$9,874,093</u> *	<u>\$17,073,792</u>
Fund Balance - Ending	<u>\$10,037,581</u>	<u>\$17,073,792</u>	<u>\$20,374,004</u>

*As Restated.

CITY OF FLINT LITIGATION

As of June 13, 2019, numerous cases, arising out of the Flint Water Crisis remain pending. These cases name the City or one of its former officials or employees (including, for these purposes, former state-appointed Emergency Managers). Specifically, 63 cases are pending in one of the federal courts, and 12 cases are pending in a state court. Two of those matters are putative class actions (1 in federal and 1 in state court). To date, the City has successfully gotten many claims in those cases dismissed, with the exception of claims based on a violation of bodily integrity under the state or federal constitutions. Procedurally, all of those cases remain at an early stage of litigation, and discovery is just starting. Because the underlying allegations in those cases, against the City or its former officials/employees, have not been litigated or proven, and because various State proposals to resolve these cases through alternative means have been discussed but not enacted, it is premature to assess what effect, if any, these lawsuits or actions might have on the City's finances and budget.

As relates to other litigation, the City of Flint is a party in a variety of lawsuits involving matters ranging from discrimination, retaliation, personal injury, rental code violations, election law, tort, civil rights claims, sewer backups, pension, healthcare and other benefits for Flint retirees, whistleblower protection act violations, and other legal proceedings and investigations that occur in the normal course of governmental operations. Except as described above, there is no litigation pending in any court, or to the knowledge of the Flint City Attorney's Office, threatened, which would have a material adverse impact on Flint's ability to pay its obligations under the Bonds or Flint's long-term financial condition.

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**APPENDIX VI
THE BONDS TO BE REFUNDED**

PRIOR MFA BONDS BEING REFUNDED

The following tables identify the publicly issued indebtedness being refunded, directly or indirectly, with proceeds of the Bonds.

SUMMARY OF PRIOR MFA BONDS REFUNDED WITH PROCEEDS OF THE BONDS

2007D Bonds

<u>Maturity Date</u>	<u>Interest Rate</u>	<u>CUSIP</u>	<u>Principal Amount to be Refunded</u>	<u>Redemption Date</u>	<u>Redemption Price</u>
11/1/2019	4.250%	59455TVN9	\$375,000	08/08/2019	100%
11/1/2020	4.500	59455TVP4	390,000	08/08/2019	100
11/1/2023*	4.750	59445TVS8	1,290,000	08/08/2019	100
11/1/2027*	5.000	59455TVW9	2,050,000	08/08/2019	100
11/1/2032*	5.000	59455TVX7	3,215,000	08/08/2019	100

* Term Bond maturing on this date.

2011B Bonds

<u>Maturity Date</u>	<u>Interest Rate</u>	<u>CUSIP</u>	<u>Principal Amount to be Refunded</u>	<u>Redemption Date</u>	<u>Redemption Price</u>
11/1/2019	4.350%	59447PED9	\$245,000	08/08/2019	100%
11/1/2020	4.625	59447PEE7	255,000	08/08/2019	100
11/1/2021	4.750	59447PEF4	270,000	08/08/2019	100
11/1/2022	5.000	59447PEG2	280,000	08/08/2019	100
11/1/2023	5.100	59447PEH0	295,000	08/08/2019	100
11/1/2024	5.150	59447PEJ6	310,000	08/08/2019	100
11/1/2027*	5.375	59447PEK3	1,040,000	08/08/2019	100
11/1/2031*	5.750	59447PEL1	1,690,000	08/08/2019	100
11/1/2035*	6.000	59447PEM9	2,145,000	08/08/2019	100

* Term Bond maturing on this date.

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