

INVITATION TO TENDER BONDS
(the “Tender Offer”)
made by the
STATE BUILDING AUTHORITY
STATE OF MICHIGAN
(the “Issuer”)

All terms used below with initial capitalization where not required by the rules of grammar and not otherwise defined herein have the meanings given to them in this Invitation.

The Issuer invites Bondowners, as described herein, of all or any portion of its bonds of the series designations with base CUSIP numbers identified below with maturity dates and CUSIP numbers listed on page (ii) hereof (the “**Target Bonds**”) to offer to sell to the Issuer for cash:

2020 Revenue Refunding Bonds,
Series II (Facilities Program)
(Federally Taxable)
(Base CUSIP 594615)

THIS INVITATION WILL EXPIRE AT 5:00 P.M., NEW YORK CITY TIME ON JUNE 24, 2024,
UNLESS EARLIER OR EXTENDED AS DESCRIBED HEREIN.

Key Dates and Times

All of these dates and times are subject to change. All times are New York City time.

Notices of changes will be sent in the manner provided for in this Invitation.

Launch Date.....	June 10, 2024
Pricing Notice.....	June 14, 2024
Tender Expiration Date.....	5:00 p.m., June 24, 2024
Preliminary Notice of Acceptance.....	June 25, 2024
Determination of Purchase Prices.....	Approximately 10:00 a.m., June 26, 2024
Notice of Purchase Prices.....	June 26, 2024
Final Acceptance Date and Final Notice of Acceptance.....	June 26, 2024
Settlement Date (unless earlier terminated or extended).....	July 16, 2024

To make an informed decision as to whether, and how, to offer Target Bonds, beneficial owners of Target Bonds (“**Bondowners**”) must read this Invitation carefully and should consult with their broker-dealer, financial, legal, accounting, tax and/or other professionals in making this decision.

The Dealer Manager is:
Jefferies LLC

The Information Agent and Tender Agent is:
Globic Advisors Inc.

The date of this Tender Offer is June 10, 2024.

TARGET BONDS SUBJECT TO TENDER OFFER FOR CASH

**STATE BUILDING AUTHORITY
STATE OF MICHIGAN**

**2020 Revenue Refunding Bonds,
Series II (Facilities Program)
(Federally Taxable)**

CUSIP No. (594615)¹	Maturity Date	Average Life Date²	Par Call Date	Interest Rate (%)	Outstanding Principal Amount	Maximum Principal Amount that May be Accepted for Purchase	Benchmark Treasury Security³	Indicative Fixed Spreads⁴
HS8	10/15/2025	n/a	n/a	0.916	\$20,445,000	\$19,240,000	2-Year	-20 bps
HT6	10/15/2026	9/8/2026	n/a	1.116	20,510,000	19,285,000	2-Year	-30 bps
HU3	10/15/2031	n/a	10/15/2030	1.812	16,200,000	15,240,000	7-Year	-13bps
HV1	10/15/2032	9/10/2032	10/15/2030	1.912	11,090,000	10,430,000	10-Year	-5 bps
HW9	10/15/2033	9/4/2033	10/15/2030	2.032	21,040,000	19,795,000	10-Year	-3 bps
HX7	10/15/2034	9/1/2034	10/15/2030	2.132	40,995,000	38,575,000	10-Year	+1 bps
HY5	10/15/2040	6/24/2038	10/15/2030	2.705	308,030,000	289,840,000	10-Year	+26 bps
HZ2	10/15/2050	8/7/2048	10/15/2030	2.955	29,455,000	27,670,000	30-Year	+44 bps
JA5	10/15/2055	7/21/2053	10/15/2030	3.085	34,065,000	32,000,000	30-Year	+51 bps

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¹ CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed on behalf of the American Bankers Association by FactSet Research Systems Inc. The CUSIP number are being provided solely for the convenience of the owners of the Target Bonds and the Issuer is not responsible for the selection or correctness of the CUSIP numbers printed herein and does not make any representation with respect to such numbers or undertake any responsibility for their accuracy.

² Average life date is shown for the Target Term Bonds (as defined herein) only. The Target Term Bonds will be priced to their respective average life dates.

³ Except for the 30-Year Benchmark Treasury Security, which will be the “old long bond” (maturity date February 15, 2054, 4.25%, CUSIP 912810TX6), each Benchmark Treasury Security (as defined herein) will be the most recently auctioned “on-the-run” United States Treasury Security for the maturity indicated as of the date and time that the Purchase Price for the Target Bonds is set, currently expected to be approximately 10:00 a.m. ET on June 26, 2024.

⁴ Indicative Fixed Spreads (as defined herein) are preliminary and subject to change. The Fixed Spreads for each CUSIP number will appear in the Pricing Notice.

IMPORTANT INFORMATION

This Invitation and other information with respect to this Invitation are available from the Dealer Manager and the Information Agent and Tender Agent at www.globic.com/sba. Bondowners wishing to offer their Target Bonds for purchase pursuant to this Invitation must follow the procedures more fully described herein. Pursuant to the terms of this Invitation as more fully described herein, the Issuer reserves the right to cancel or modify this Invitation at any time on or prior to the Expiration Date and reserves the right to make a future invitation to tender bonds at prices different than the offer purchase prices described herein in its sole discretion. Except as described in this Invitation, the Issuer will have no obligation to purchase Target Bonds offered pursuant to this Invitation. The Issuer further reserves the right to waive any irregularities or defects in any offer received.

This Invitation is not being made to, and Target Bonds offered for purchase in response to this Invitation will not be accepted from or on behalf of, Bondowners in any jurisdiction in which this Invitation, the making of an offer to sell Target Bonds or the acceptance thereof would not be in compliance with the laws of such jurisdiction. In those jurisdictions whose laws require the Tender Offer to be made through a licensed or registered broker or dealer, the Tender Offer is being made on behalf of the Issuer by the Dealer Manager.

The Issuer, the Dealer Manager, and the Information Agent and Tender Agent are not recommending to any Bondowner whether or not to tender their Target Bonds for purchase in connection with this Tender Offer. Each Bondowner must make this decision for itself and should read this Invitation and the Refunding Bond POS, attached as **Appendix A**, and the Pricing Notice in the form attached hereto as **Appendix B**, in their entirety and should consult with its broker-dealer, financial, legal, accounting, tax and other professionals in making this decision.

No dealer, salesperson or other person has been authorized to give any information or to make any representation not contained in this Invitation, including **Appendices A** and **B** hereto, and, if given or made, such information or representation may not be relied upon as having been authorized by the Issuer.

The delivery of this Invitation shall not under any circumstances create any implication that the information contained herein is correct as of any time subsequent to the date hereof or that there has been no change in the information set forth herein or in any attachments hereto or materials delivered herewith or in the affairs of the Issuer since the date hereof.

The Dealer Manager makes no representation or warranty, express or implied, as to the accuracy or completeness of the information contained herein, including **Appendix A**. The Dealer Manager has not independently verified any of the information contained herein, and assumes no responsibility for the accuracy or completeness of any such information. References to website addresses herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not a part of, this Invitation.

This Invitation contains statements relating to future results that are "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. When used in this Invitation and other materials referred to or incorporated herein, the words "estimate", "anticipate", "forecast", "project", "intend", "propose", "plan", "expect", and similar expressions identify forward-looking statements. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material.

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Appendix A -- REFUNDING BOND PRELIMINARY OFFICIAL STATEMENT

Appendix B -- FORM OF PRICING NOTICE

INVITATION DATED JUNE 10, 2024 TO TENDER BONDS
made by the
STATE BUILDING AUTHORITY
STATE OF MICHIGAN
to the Bondowners described herein of
all or any portion of the maturities listed on page (ii) herein of its

2020 REVENUE REFUNDING BONDS,
SERIES II (FACILITIES PROGRAM)
(FEDERALLY TAXABLE)

1. Introduction. This Invitation to Tender Bonds, dated June 10, 2024 (as it may be amended or supplemented, this “**Invitation**”), which includes the Appendices hereto, describes an offer (“**Tender Offer**”) made by the State Building Authority of the State of Michigan (the “**Issuer**”) to the beneficial owners (the “**Bondowners**”) of the Issuer’s outstanding 2020 Revenue Refunding Bonds, Series II (Facilities Program) (Federally Taxable) (the “**Target Bonds**”) maturing on the dates set forth in the tables on page (ii) of this Invitation to tender such Target Bonds for cash purchase on the Settlement Date (as defined herein) by the Issuer at the applicable price (each an “**Offer Purchase Price**”) to be determined as described herein based on a yield (each a “**Purchase Yield**”) equal to the fixed spread (each a “**Fixed Spread**”) to be added to the yield on the relevant benchmark United States Treasury Security (the “**Benchmark Treasury Security**”). See Section 2, “Information to Bondowners – *Tender Consideration – Determination of Offer Purchase Prices*” herein. Interest on purchased Target Bonds accruing to but not including the Settlement Date (“**Accrued Interest**”) will also be paid on the Settlement Date. On or about June 14, 2024, the Issuer expects to publish the Pricing Notice (as it may be amended and supplemented, the “**Pricing Notice**”) in the form attached hereto as **Appendix B**, which will include the Fixed Spread for each maturity and corresponding CUSIP of the respective Target Bonds. **All times in this Invitation are local time in New York City.** The Tender Offer is being made by the Issuer with the assistance of Jefferies LLC, as dealer manager (the “**Dealer Manager**”), and Globic Advisors Inc., as information agent and tender agent (the “**Information Agent and Tender Agent**”).

The purchase of any Target Bonds pursuant to this Invitation is contingent on the Issuer receiving sufficient net proceeds from the issuance of its 2024 Revenue and Revenue Refunding Bonds, Series II (Facilities Program) (the “**Refunding Bonds**”), and is also subject to the terms of this Invitation and certain other conditions as described herein, including satisfaction of the Financing Conditions (as defined herein). The Issuer's obligation to accept for purchase and to pay for Target Bonds validly tendered (and not withdrawn) pursuant to this Invitation is also subject to the satisfaction or waiver of certain conditions. See “*Issuer’s Obligation to Purchase Offered Target Bonds*” below and Section 14, “Conditions to Purchase,” for additional information regarding certain of such conditions.

Purpose. This Tender Offer is part of a plan by the Issuer to refinance certain of its outstanding indebtedness for debt service savings (the “**Refunding Plan**”), as described in the Preliminary Official Statement of the Issuer dated June 10, 2024, and attached hereto as **Appendix A** (the “**Refunding Bond POS**”). **The Issuer's outstanding bonds of any series that are not identified in the table on page (ii) of this Invitation are not subject to this Tender Offer.** For additional information concerning the Issuer and its plan of refunding, see the Refunding Bond POS attached hereto as **Appendix A**.

Offers by Bondowners. Pursuant to this Invitation, each Bondowner may submit an offer to tender to the Issuer for cash purchase all or a part of its Target Bonds, in a denomination of \$5,000 principal amount (the “**Minimum Authorized Denomination**”) or any integral multiple thereof, with respect to which the Bondowner has a beneficial ownership interest. The applicable Fixed Spread for each maturity and corresponding CUSIP of the Target Bonds at which such Target Bonds may be tendered by a Bondowner for purchase pursuant to this Invitation will be set forth in the Pricing Notice. The applicable

Offer Purchase Price for each maturity and corresponding CUSIP of the Target Bonds will be determined as further described below in Section 2, “Information to Bondowners – *Tender Consideration – Determination of Offer Purchase Prices*” herein.

Source of Funds. The total amount paid to Bondowners to purchase the Target Bonds validly tendered and accepted for purchase pursuant to this Invitation (the “**Aggregate Purchase Price**”), plus Accrued Interest, is anticipated to be from net proceeds of the Refunding Bonds to be issued on the Settlement Date.

Issuer's Obligation to Purchase Offered Target Bonds. Subject to the terms of this Invitation and the satisfaction of all conditions to the Issuer's obligation to purchase tendered Target Bonds as described herein, and provided that (i) a Bondowner's Target Bonds tendered for purchase have been validly tendered by 5:00 p.m., ET, on June 24, 2024 (as may be extended from time to time in accordance with this Invitation, the “**Expiration Date**”), and (ii) accepted by the Issuer on or before June 26, 2024 (as may be extended from time to time in accordance with this Invitation, the “**Final Acceptance Date**”), the Issuer will purchase such Target Bonds tendered and accepted for purchase on July 16, 2024 (the “**Settlement Date**”). Accrued Interest on the Target Bonds purchased will also be paid on the Settlement Date.

The Issuer's obligation to accept for purchase any tendered Target Bonds and the Issuer's obligation to pay for Target Bonds validly tendered (and not validly withdrawn) and accepted pursuant to this Invitation is subject to the satisfaction of or waiver of the following conditions on or prior to the Settlement Date: (A) the successful completion by the Issuer of the issuance of the Refunding Bonds, the proceeds of which will be sufficient, together with other available moneys of the Issuer, to (x) fund the Aggregate Purchase Price of all Target Bonds validly tendered and accepted for purchase pursuant to this Invitation, and (y) pay all fees and expenses associated with the issuance of the Refunding Bonds and this Tender Offer; (B) receipt of all certifications and opinions required by the “Dealer Manager Agreement” executed between the Issuer and the Dealer Manager in connection with this Tender Offer, and (C) when taken together with the issuance of the Refunding Bonds, the Issuer, determining in its reasonable discretion that it will obtain a satisfactory and sufficient economic benefit as a result of market conditions, including (x) all or any portion of the maturities listed on page (ii) will produce sufficient debt service savings for the Issuer, (y) the expected or actual level of participation by Bondowners, or (z) any other factors not within the sole control of the Issuer, all on terms and conditions that are in the Issuer's best interest (collectively, the “**Financing Conditions**”).

No assurances can be given that the Refunding Bonds will be issued or that any Target Bonds tendered for purchase by a Bondowner will be purchased. See Section 10, “Determination of Amounts to be Purchased; Acceptance of Offers; Final Notice of Acceptance”, for more information on the selection of tendered Target Bonds to be purchased, if any. The Issuer reserves the right, subject to applicable law, to amend or waive any of the conditions to this Invitation, in whole or in part, any time prior to the Expiration Date or from time to time subject to the Financing Conditions and other conditions described in this Invitation. The Issuer also has the right to terminate this Tender Offer at any time up to and including the Expiration Date. See Section 15, “Extension, Termination and Amendment of Tender Offer”, herein.

The Issuer is under no obligation to accept any of the Target Bonds that are tendered for purchase pursuant to this Invitation as described above and in Section 10, “Determination of Amounts to be Purchased; Acceptance of Offers; Final Notice of Acceptance.” Any Target Bonds not tendered by Bondowners, or Target Bonds tendered by Bondowners pursuant to this Invitation but not accepted for purchase by the Issuer (the “**Unpurchased Bonds**”) that have been returned to the Bondowners, will continue to be payable and secured by their terms until maturity or prior defeasance or redemption. If all conditions to this Invitation are not satisfied or waived by the District on or prior to the Settlement Date, all Target Bonds tendered by Bondowners pursuant to this Invitation will be returned to the Bondowners

and will continue to be payable and secured under their terms until maturity or prior redemption. See Section 17, “Additional Considerations – *Potential Subsequent Transactions*” herein.

Sinking Fund Amortization of Unpurchased Target Term Bonds. The Target Term Bonds are identified in the table below. The Target Term Bonds are each subject to mandatory sinking fund redemption in specified annual principal amounts prior to their respective maturity dates. If less than all the Target Term Bonds of a particular maturity and CUSIP are purchased by the Issuer pursuant to this Invitation, each of the original principal amounts to be redeemed on each mandatory sinking fund redemption date or paid at maturity of such Target Term Bond will be reduced, pro rata, to a principal amount equal to such original principal amount multiplied by a percentage equal to (a) the aggregate principal amount of unpurchased Target Term Bonds of such CUSIP divided by (b) the Outstanding Principal Amount for such Target Term Bond as outlined in the table below, such that for each of such Target Term Bonds the sum of the principal amount of all scheduled mandatory sinking fund redemptions and the principal amount due at maturity will equal the aggregate principal amount of each such unpurchased Target Term Bond and corresponding CUSIP.

Summary of the Target Term Bonds

CUSIP (594615) ⁵	Maturity Date	Average Life Date	Outstanding Principal Amount	Maximum Principal Amount that May be Accepted for Purchase if Tendered
HT6	10/15/2026	9/8/2026	\$20,510,000	\$19,285,000
HV1	10/15/2032	9/10/2032	11,090,000	10,430,000
HW9	10/15/2033	9/4/2033	21,040,000	19,795,000
HX7	10/15/2034	9/1/2034	40,995,000	38,575,000
HY5	10/15/2040	6/24/2038	308,030,000	289,840,000
HZ2	10/15/2050	8/7/2048	29,455,000	27,670,000
JA5	10/15/2055	7/21/2053	34,065,000	32,000,000

Unpurchased Target Term Bonds will continue to be outstanding and subject to the mandatory sinking fund redemption in annual amounts that will be reflected on a revised mandatory sinking fund redemption schedule.

Future Refunding, Defeasance or Purchase of Unpurchased Bonds. The Issuer further reserves the right, in its sole discretion to refund, defease and/or purchase some or all of the Unpurchased Bonds in the future.

⁵ CUSIP is a registered trademark of American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed on behalf of the American Bankers Association by FactSet Research Systems Inc. The CUSIP number are being provided solely for the convenience of the owners of the Target Bonds and the Issuer is not responsible for the selection or correctness of the CUSIP numbers printed herein and does not make any representation with respect to such numbers or undertake any responsibility for their accuracy.

To make an informed decision as to whether, and how, to offer Target Bonds for purchase pursuant to this Invitation, a Bondowner must read this Invitation carefully and entirely, including the Refunding Bond POS attached hereto as Appendix A and the Pricing Notice in the form attached hereto as Appendix B.

None of the Issuer, the Dealer Manager, or the Information Agent and Tender Agent make any recommendation that any Bondowner tender or refrain from tendering all or any portion of such Bondowner's Target Bonds for purchase. Bondowners must make these decisions and should consult with their broker-dealer, financial, legal, accounting, tax, and other professionals.

2. Information to Bondowners

General. The Issuer will provide additional information about this Tender Offer to Bondowners of the Target Bonds, including, without limitation, the information contained in the Pricing Notice in the form attached hereto as **Appendix B** expected to be delivered on or about June 14, 2024 and the information contained in **Appendix A** and any supplement to the Refunding Bond POS, by delivery of such information in the following ways (collectively, the “**Information Services**”):

- (a) to the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access system website, currently located at <http://emma.msrb.org> (the “**EMMA Website**”), using the CUSIP numbers for the Target Bonds;
- (b) to DTC (defined below) and to the DTC participants holding the Target Bonds;
and
- (c) by posting electronically on the website of the Information Agent and Tender Agent at www.globic.com/sba.

Delivery by the Issuer of information in the foregoing manner will be deemed to constitute delivery of the information to each Bondowner of the Target Bonds. The Issuer, the Dealer Manager, and the Information Agent and Tender Agent have no obligation to ensure that any such Bondowner actually receives any information provided by the Issuer in this manner. Any such Bondowner who would like to receive information furnished by or on behalf of the Issuer as described above must make appropriate arrangements with its broker-dealer, account executive or other financial advisor or representative.

Pricing Notice and Fixed Spreads. On or about June 14, 2024, the Issuer will provide the Pricing Notice in the manner described under the heading “*General*” above in the form attached hereto as **Appendix B**, which Pricing Notice will set forth the Fixed Spreads.

Tender Consideration – Determination of Offer Purchase Prices. The applicable Fixed Spread, expressed as an interest rate percentage, will be added to the yield on the relevant Benchmark Treasury Security (the “**Treasury Security Yield**”) to arrive at the Purchase Yield used to calculate the Offer Purchase Price for each maturity and corresponding CUSIP of the Target Bonds. The Benchmark Treasury Security for each CUSIP is identified on page (ii) hereof and will also be identified in the Pricing Notice. The Treasury Security Yield will equal the bid-side yield of the Benchmark Treasury Security as quoted on the Bloomberg Bond Trader FIT1 series of pages at approximately 10:00 a.m., New York City time, on June 26, 2024.

The Purchase Yields will be used to calculate the Offer Purchase Prices expressed as a dollar amount per \$100 principal amount of the Target Bonds. The Offer Purchase Prices will be calculated using the market standard bond pricing formula as of the Settlement Date using the relevant Purchase Yield, the coupon of the relevant Target Bond and the maturity date for each Target Bond, except for each of the Target Term Bonds which will be priced to their respective average life dates as shown below.

Average Life Dates of the Target Term Bonds

CUSIP (594615)⁶	Maturity Date	Average Life Date
HT6	10/15/2026	9/8/2026
HV1	10/15/2032	9/10/2032
HW9	10/15/2033	9/4/2033
HX7	10/15/2034	9/1/2034
HY5	10/15/2040	6/24/2038
HZ2	10/15/2050	8/7/2048
JA5	10/15/2055	7/21/2053

The Issuer expects to publish a Notice of Target Bonds Purchase Prices on June 26, 2024. The purchase price to be received on the Settlement Date by a Bondowner whose Target Bonds were validly tendered and accepted for purchase, in whole or in part, by the Issuer will equal the par amount of such Bondowners' purchased Target Bonds multiplied by the Offer Purchase Price of such Target Bonds divided by 100. In addition to the purchase price of the Target Bonds accepted for purchase by the Issuer, Accrued Interest on such Target Bonds will be paid by the Issuer on the Settlement Date.

3. Expiration Date; Offers Only Through Financial Institutions; Brokerage Commissions. This Tender Offer to tender Target Bonds will expire at 5:00 p.m., ET, on June 24, 2024, the Expiration Date, unless earlier terminated, and Target Bonds received after 5:00 p.m., ET, on the Expiration Date will not be considered. See Section 15, “Extension, Termination and Amendment of Tender Offer” herein for a discussion of the Issuer's ability to extend the Expiration Date and to terminate or amend this Invitation.

In the sole discretion of the Issuer, the Issuer may extend the Expiration Date, the Preliminary Acceptance Date (defined herein), the Final Acceptance Date, or the Settlement Date.

All of the Target Bonds are held in book-entry-only form through the facilities of The Depository Trust Company of New York (“DTC”). The Information Agent and Tender Agent and DTC have confirmed that this Tender Offer is eligible for submission of tenders for purchase through DTC's Automated Tender Offer Program (known as the “ATOP” system). **Bondowners of Target Bonds who want to tender Target Bonds for purchase pursuant to the Issuer's Invitation must do so through a DTC participant in accordance with the relevant DTC procedures for the ATOP system. The Issuer will not accept any tenders of Target Bonds for purchase that are not made through the ATOP system.** A Bondowner that is not a DTC participant can only tender Target Bonds for purchase pursuant to this Invitation by making arrangements with and instructing the bank or brokerage firm through which it holds Target Bonds (sometimes referred to herein as a “custodial intermediary”) to tender the Bondowner's Target Bonds on its behalf through the ATOP system. To ensure a Bondowner's Target Bonds are tendered through the ATOP system by 5:00 p.m., ET, on the Expiration Date, the Bondowner must provide instructions to its custodial intermediary with sufficient time for such custodial intermediary to tender the Target Bonds in accordance with DTC procedures through the ATOP system by this deadline. Each Bondowner wishing to tender Target Bonds should contact its custodial intermediary for information on when such custodial intermediary needs the Bondowner's instructions in order to tender the Bondowner's

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Target Bonds through the ATOP system by 5:00 p.m., ET, on the Expiration Date. See also Sections 5, “Provisions Applicable to All Offers” below.

The Issuer, the Dealer Manager, and the Information Agent and Tender Agent are not responsible for making or transmitting any tender of Target Bonds or for the transfer of any tendered Target Bonds through the ATOP system or for any mistakes, errors or omissions in the making or transmission of any offer or transfer.

Bondowners will not be obligated to pay any brokerage commissions or solicitation fees to the Issuer, the Dealer Manager, or the Information Agent and Tender Agent in connection with this Tender Offer. However, Bondowners should check with their broker-dealer, account executive or other financial institution which maintains the account in which their Target Bonds are held to determine if it will charge any commission or fees.

4. Minimum Denominations; Changes to the Terms of this Invitation.

Authorized Denominations for Offers. A Bondowner may tender, as aforesaid, all or a portion of its Target Bonds of a particular maturity and corresponding CUSIP in a principal amount of its choosing, but only in principal amounts equal to the Minimum Authorized Denomination or any integral multiple of \$5,000 in excess thereof.

Changes to Terms of this Invitation. As described in Section 15 hereof, the Issuer may revise the terms of this Invitation prior to the Expiration Date. If the Issuer determines to revise the terms of this Invitation, it shall provide notice thereof in the manner described in Section 2 of this Invitation to provide reasonable time for dissemination of such revision to Bondowners. If the Issuer increases the Fixed Spread for any of the Target Bonds pursuant to this Invitation (which would thereby reduce the related Offer Purchase Price), the Issuer shall provide notice thereof (in the manner described in Section 2 of this Invitation) no less than three (3) Business Days prior to the Expiration Date, as extended. **In such event, any tenders of the affected Target Bonds prior to such change in the Fixed Spread for such Target Bonds pursuant to this Invitation will remain in full force and effect and each Bondowner of such affected Target Bonds wishing to revoke its tender of such Target Bonds must affirmatively withdraw its tender of such Target Bonds prior to the Expiration Date in the manner described in Section 8 hereof.**

5. Provisions Applicable to all Offers. A Bondowner should ask its financial advisor, investment manager, broker or account executive for advice in determining whether to tender Target Bonds for purchase and the principal amount of Target Bonds to be tendered. A Bondowner should also inquire as to whether its financial institution will charge a fee for submitting tenders. The Issuer, the Dealer Manager, and the Information Agent and Tender Agent will not charge fees to any tendering Bondowner or completing the purchase of Target Bonds.

A tender of Target Bonds cannot exceed the par amount of Target Bonds owned by the Bondowner. Target Bonds may be tendered and accepted for payment only in principal amounts equal to the Minimum Authorized Denomination and integral multiples of \$5,000 in excess thereof.

“All or none” tenders are not permitted. No alternative, conditional or contingent tenders will be accepted. All tenders shall survive the death or incapacity of the tendering Bondowner.

By tendering Target Bonds pursuant to this Invitation, each such Bondowner will be deemed to have represented and warranted to and agreed with the Issuer and the Dealer Manager that:

(a) the Bondowner has received, and has had the opportunity to review, this Invitation (including the Refunding Bond POS attached as **Appendix A** hereto) and the Pricing Notice prior to making the decision as to whether or not it should tender its Target Bonds for purchase;

(b) the Bondowner has full authority to tender, sell, assign and transfer such Target Bonds, and that, on the Settlement Date, the Issuer, as transferee, will acquire good title, free and clear of all liens, charges, encumbrances, conditional sales agreements or other obligations and not subject to any adverse claims, subject to payment to the Bondowner of the applicable Offer Purchase Price, plus payment of Accrued Interest on the Target Bonds;

(c) the Bondowner has made an independent decision to tender, the appropriateness of the terms thereof, and whether the tender is appropriate for the Bondowner;

(d) such decisions are based upon the Bondowner's judgment and upon advice from such advisors as the Bondowner has consulted;

(e) the Bondowner is not relying on any communication from the Issuer, the Dealer Manager, or the Information Agent and Tender Agent as investment advice or as a recommendation to make the offer, it being understood that the information from any of the foregoing related to the terms and conditions of this Invitation shall not be considered investment advice or a recommendation to tender Target Bonds; and

(f) the Bondowner is capable of assessing the merits of and understanding (on its own and/or through independent professional advice), and does understand and accept, the terms and conditions of this Invitation.

6. Transmission of Offers by Financial Institutions; DTC ATOP Procedures. Tenders of Target Bonds pursuant to this Invitation may only be made through DTC's ATOP system. Bondowners that are not DTC participants must make their tenders through their custodial intermediary. A DTC participant must tender the Target Bonds on behalf of the Bondowner for whom it is acting pursuant to this Invitation, by book-entry through the ATOP system. In so doing, such custodial intermediary and the Bondowner on whose behalf the custodial intermediary is acting, agree to be bound by DTC's rules for the ATOP system. In accordance with ATOP procedures, DTC will then verify receipt of the Tender Offer and send an Agent's Message (as described below) to the Information Agent and Tender Agent.

The term "Agent's Message" means a message transmitted by DTC to, and received by, the Information Agent and Tender Agent, forming a part of the book-entry confirmation stating that DTC has received an express acknowledgement from the DTC participant tendering Target Bonds for purchase that are the subject of such book-entry confirmation that includes: (i) the CUSIP number(s) and the par amount(s) of the Target Bonds that have been validly tendered by such DTC participant on behalf of the Bondowner pursuant to this Invitation, and (ii) that the Bondowner agrees to be bound by the terms of this Invitation, including the representations, warranties, agreements and affirmations deemed made by it as set forth in Section 5 above. By causing DTC to transfer Target Bonds into the Issuer's ATOP system, a financial institution warrants to the Issuer that it has full authority, and has received from the Bondowner(s) of such Target Bonds all direction necessary, to tender and sell such Target Bonds as set forth in this Invitation.

Agent's Messages must be transmitted to and received by the Information Agent and Tender Agent by not later than 5:00 p.m., ET, on the Expiration Date. Target Bonds will not be deemed to have been tendered for cash purchase pursuant to this Invitation until an Agent's Message with respect thereto is received by the Information Agent and Tender Agent.

Each DTC participant is advised to submit each beneficial owner's instruction individually into DTC's ATOP system to ensure proper settlement.

The Issuer, the Dealer Manager, and the Information Agent and Tender Agent are not responsible for making or transmitting any tender of Target Bonds or for the transfer of any tendered Target Bonds through the ATOP system or for any mistakes, errors or omissions in the making or transmission of any offer or transfer.

7. Determinations as to Form and Validity of Tenders; Right of Waiver and Rejection.

All questions as to the validity (including the time of receipt of Agent's Messages by the Information Agent and Tender Agent), eligibility, and acceptance of any tenders of Target Bonds will be determined by the Issuer in its sole discretion and will be final, conclusive and binding.

The Issuer reserves the right to waive any irregularities or defects in any tender. The Issuer, the Dealer Manager, and the Information Agent and Tender Agent are not obligated to give notice of any defects or irregularities in tenders, and they will have no liability for failing to give such notice.

8. Withdrawals of Tenders Prior to Expiration Date; Irrevocability of Tenders on Expiration Date. A Bondowner may withdraw its tender of Target Bonds pursuant to this Invitation by causing a withdrawal notice to be transmitted via DTC's ATOP system to, and received by, the Information Agent and Tender Agent at or before 5:00 p.m., ET, on the Expiration Date (as the date and time may have been changed as provided in this Invitation).

A Bondowner that is not a DTC participant can only withdraw its tender by making arrangements with and instructing the custodial intermediary through which it holds its Target Bonds to submit the Bondowner's notice of withdrawal through the DTC ATOP system.

All tenders of Target Bonds will become irrevocable as of 5:00 p.m., ET, on the Expiration Date.

9. Preliminary Acceptance Notice. On June 25, 2024, unless such time or date is extended by the Issuer (the "**Preliminary Acceptance Date**"), the Issuer will determine the preliminary principal amount, if any, of the Target Bonds for each CUSIP that it will purchase, based on satisfaction of the Financing Conditions. Notice of the preliminary principal amount of the Target Bonds, if any, for each CUSIP that the Issuer initially agrees to purchase pursuant to the Invitation will be provided to the Information Services on the Preliminary Acceptance Date via the publication of a "**Preliminary Notice of Acceptance.**"

10. Determination of Amounts to be Purchased; Acceptance of Offers; Final Notice of Acceptance. This Tender Offer is part of the Refunding Plan as described in the Refunding Bond POS. The Refunding Bonds, if issued, will be used to finance the Refunding Plan and to pay the costs and expenses of the Tender Offer and issuing the 2024II Bonds. The Issuer intends to purchase up to all of the Target Bonds validly tendered pursuant to this Invitation, though depending upon the results of this Tender Offer and other factors including the Financing Conditions, the Issuer, in its sole discretion, may elect to purchase less than all of the Target Bonds so tendered. The Issuer shall be under no obligation to accept any Target Bonds tendered for purchase pursuant to this Invitation. The Issuer, in its sole discretion, will select which, if any, Target Bonds validly tendered of a particular maturity and corresponding CUSIP are purchased based on its determination of the economic benefit from such purchase.

Should the Issuer decide to only purchase a portion of the Target Bonds being tendered for purchase of a certain CUSIP, the Issuer will accept such Target Bonds tendered for purchase on a pro rata basis. The principal amount of each individual offer will be adjusted, pro rata, based upon a proration factor for each such CUSIP (each a "**Proration Factor**"). In such event, should the principal amount of any individual

offer, when adjusted by the Proration Factor, result in an amount that is not a multiple of \$5,000, the principal amount of such offer will be rounded up to the nearest multiple of \$5,000. If as a result of such adjustment, the principal amount of a Bondowner's unaccepted Target Bonds is less than the Minimum Authorized Denomination of \$5,000, the Issuer will reject such Bondowner's offer in whole. The Issuer will determine the Proration Factor that permits it to accept the amount of Target Bonds it has determined to purchase.

On the Final Acceptance Date, upon the terms and subject to the conditions of this Invitation, the Issuer will announce its acceptance for purchase of Target Bonds, if any, validly tendered by Bondowners pursuant to this Invitation via the publication of a “**Final Notice of Acceptance**,” with acceptance subject to the satisfaction or waiver by the Issuer of the conditions to the purchase of tendered Target Bonds. See Section 11, “Acceptance of Tenders Constitutes Irrevocable Agreement” and Section 14, “Conditions to Purchase.”

The Final Notice of Acceptance will state: (i) the principal amount of the Target Bonds of each maturity and corresponding CUSIP number that the Issuer has accepted for purchase in accordance with this Invitation, which may be zero for a particular maturity and corresponding CUSIP, or (ii) that the Issuer has decided not to purchase any Target Bonds.

Any Target Bonds not accepted for purchase as a result of the procedures described herein will be returned to tendering institutions promptly in accordance with DTC's procedures.

Notwithstanding any other provision of this Invitation, the obligation of the Issuer to accept for purchase and to pay for Target Bonds validly tendered (and not validly withdrawn) by Bondowners pursuant to this Invitation is subject to the satisfaction or waiver of the conditions set forth under Section 14, “Conditions to Purchase” below. The Issuer reserves the right, subject to applicable law, to amend or waive any of the conditions to this Invitation, in whole or in part, any time prior to the Expiration Date or from time to time subject to the Financing Conditions and other conditions described in this Invitation. This Tender Offer may be withdrawn by the Issuer at any time prior to the Expiration Date.

11. Acceptance of Tenders Constitutes Irrevocable Agreement. Acceptance by the Issuer of validly tendered Target Bonds will constitute an irrevocable agreement between the tendering Bondowner and the Issuer to sell and purchase such Target Bonds, subject to the conditions and terms of this Invitation, including the Conditions to Purchase set forth in Section 14.

12. Settlement Date; Purchase of Target Bonds. Subject to satisfaction of all conditions to the Issuer's obligation to purchase tendered Target Bonds, as described herein, the Settlement Date is the day on which Target Bonds accepted for purchase will be purchased and paid for at the applicable Offer Purchase Price, plus Accrued Interest. The Settlement Date has initially been set as July 16, 2024, unless extended by the Issuer, assuming all conditions to this Invitation have been satisfied or waived by the Issuer.

The Issuer may, in its sole discretion, change the Settlement Date by giving notice thereof in the manner described in Section 2 of this Invitation prior to the change. However, the Settlement Date may not be later than August 13, 2024. If the Issuer does not complete the purchase of the Target Bonds by 3:00 p.m., ET, on August 13, 2024, the right and obligation of the Issuer to purchase any Target Bonds will automatically terminate, without any liability to any Bondowner, and the Issuer will instruct DTC to release from the controls of the ATOP system all Target Bonds.

Subject to satisfaction of all conditions to the Issuer's obligation to purchase Target Bonds tendered for purchase pursuant to this Invitation, as described herein, payment by the Issuer will be made through DTC on the Settlement Date. The Issuer expects that, in accordance with DTC's standard procedures, DTC will transmit the Aggregate Purchase Price to be paid for the Target Bonds tendered for purchase (plus

Accrued Interest) to DTC participants holding the Target Bonds accepted for purchase on behalf of Bondowners for subsequent disbursement to the Bondowners. **The Issuer, the Dealer Manager, and the Information Agent and Tender Agent have no responsibility or liability for the distribution of the Aggregate Purchase Price and Accrued Interest paid by DTC to DTC participants or by DTC participants to tendering Bondowners.**

Promptly following such deliveries and payments, the Issuer will instruct the paying agent/registrar for the purchased Target Bonds to cause such purchased Target Bonds to be cancelled and retired.

13. Source of Funds. The source of funds to purchase the Target Bonds validly tendered for purchase pursuant to this Invitation and accepted by the Issuer (including Accrued Interest on such Target Bonds) is anticipated to be proceeds received by the Issuer from the sale of its Refunding Bonds, expected to be issued on the Settlement Date. The Issuer's ability to settle the cash purchase of Target Bonds tendered for purchase is contingent upon the successful delivery of its Refunding Bonds and the other conditions set forth herein.

14. Conditions to Purchase. The consummation of the purchase of the Target Bonds pursuant to this Invitation is conditioned upon the satisfaction of the Financing Conditions and other conditions described in this Invitation. Furthermore, the Issuer will not be required to purchase any Target Bonds, and will incur no liability as a result, if, before payment for Target Bonds on the Settlement Date:

(a) The Issuer does not, for any reason, have sufficient funds on the Settlement Date from the proceeds of the Refunding Bonds to pay the Aggregate Purchase Price plus Accrued Interest of tendered Target Bonds accepted for purchase pursuant to this Invitation and pay all fees and expenses associated with the Refunding Bonds and this Tender Offer;

(b) Litigation or another proceeding is pending or threatened which the Issuer believes may, directly or indirectly, have an adverse impact on this Tender Offer or the expected benefits of this Tender Offer to the Issuer or the Bondowners;

(c) A war, other hostilities, or the escalation thereof, public health or other national emergency, banking moratorium, suspension of payments by banks, a general suspension of trading by the New York Stock Exchange or a limitation of prices on the New York Stock Exchange exists and the Issuer believes this fact makes it inadvisable to proceed with the purchase of Target Bonds;

(d) A material change in the business or affairs of the Issuer has occurred which the Issuer believes makes it inadvisable to proceed with the purchase of Target Bonds;

(e) A material change in the net benefits of the transaction contemplated by this Tender Offer and the Refunding Bond POS has occurred due to a material change in market conditions that the Issuer reasonably believes makes it inadvisable to proceed with the purchase of Target Bonds;

(f) There shall have occurred a material disruption in securities settlement, payment or clearance services.

These conditions are for the sole benefit of the Issuer. They may be asserted by the Issuer prior to the time of payment for the Target Bonds on the Settlement Date. The conditions may be waived by the Issuer in whole or in part at any time and from time to time in its sole discretion and may be exercised independently for each maturity date and CUSIP number of the Target Bonds. The failure by the Issuer at any time to exercise any of these rights will not be deemed a waiver of any of these rights, and the waiver of these rights with respect to particular facts and other circumstances will not be deemed a waiver of these rights with respect to any other facts and circumstances. Each

of these rights will be deemed an ongoing right of the Issuer that may be asserted at any time and from time to time. Any determination by the Issuer concerning the events described in this Section 14 will be final and binding upon all parties. If, prior to the time of payment of any Target Bonds any of the events described happens, the Issuer will have the absolute right to cancel its obligations to purchase Target Bonds without any liability to any Bondowner or any other person.

15. Extension, Termination and Amendment of Tender Offer. Through and including the Expiration Date, the Issuer has the right to extend this Tender Offer, to any date in its sole discretion. Notice of an extension of the Expiration Date will be given in the manner described in Section 2 of this Invitation, on or about 11:00 a.m., ET, on the first Business Day after the then current Expiration Date.

The Issuer also has the right, prior to the Final Acceptance Date to terminate this Invitation at any time by giving notice of such termination in the manner described in this Invitation.

The Issuer also has the right, prior to the Expiration Date, to amend or waive the terms of this Invitation in any respect and at any time by giving notice of the amendment or waiver in the manner described in Section 2 of this Invitation. The amendment or waiver will be effective at the time specified in such notice.

If the Issuer amends the terms of this Invitation, including a waiver of any term, in any material respect, notice of such amendment or waiver will be given in the manner described in Section 2, to provide reasonable time for dissemination of such amendment or waiver to Bondowners and for Bondowners to respond. **If the Issuer increases the Fixed Spread for any of the Target Bonds pursuant to this Invitation, any tenders submitted with respect to the affected Target Bonds prior to such increase will remain in full force and effect, and any Bondowner of such affected Target Bonds wishing to revoke its tender must affirmatively withdraw its tender of such Target Bonds prior to the Expiration Date in the manner described in Section 8 hereof.**

No extension, termination or amendment of this Invitation (or waiver of any terms of this Invitation) will: (i) change the Issuer's right to decline to purchase any Target Bonds without liability; or (ii) give rise to any liability of the Issuer, the Dealer Manager, or the Information Agent and Tender Agent to any Bondowner or nominee.

16. Summary of Certain Federal Income Tax Consequences.

The following is a general summary of the U.S. federal income tax consequences for tendering Bondholders. This federal income tax discussion is included for general information only and should not be construed as a tax opinion or tax advice by the Issuer or any of its advisors, counsel or agents to Bondholders. The federal income tax discussion below does not address tax considerations applicable to any investors in the Target Bonds other than investors that are U.S. holders, determined as set forth in Internal Revenue Code of 1986 (as amended, the "*Code*"), and Treasury Regulations promulgated thereunder. Bondholders are advised that any discussion of federal income tax issues contained or referred to herein is not intended or written to be used, and cannot be used by Bondholders, for the purposes of avoiding penalties that may be imposed on them under the Code. The discussion below does not purport to address all aspects of federal income taxation that may be applicable to all categories of investors. Bondholders should not rely upon this U.S. federal income tax discussion and are urged to consult their own tax advisors to determine the particular federal, state or local tax consequences of offer of sales made by them pursuant to this Invitation, including the effect of possible changes in the tax laws.

Tendering Bondholders. A Bondholder who tenders its Target Bonds for cash pursuant to this Invitation generally will recognize gain or loss for U.S. federal income tax purposes in an amount equal to the difference between the amount realized, which is generally the Purchase Price (not including Accrued Interest) received by the Bondholder, and the Bondholder's adjusted tax basis in its tendered Target Bonds.

A Bondholder's amount realized and adjusted tax basis are determined as set forth in the Code and Treasury Regulations promulgated thereunder. Any gain or loss arising in connection with a tender of the Target Bonds pursuant to this Invitation may be capital gain or loss or may be ordinary income or loss, depending on the particular circumstances of the Bondholder. Non-corporate holders may be eligible for reduced rates of U.S. federal income tax on long-term capital gains. The deductibility of capital losses is subject to various limitations.

Backup Withholding. Amounts paid to Bondholders tendering their Bonds for purchase may be subject to "backup withholding" by reason of the events specified by Section 3406 of the Code, which include failure of a Bondholders to supply their financial representative with such Bondholder's taxpayer identification number certified under penalty of perjury. Backup withholding may also apply to Bondholders who are otherwise exempt from such backup withholding if such Bondholders fail to properly document their status as exempt recipients.

17. Additional Considerations. In deciding whether to participate in this Tender Offer, each Bondowner should consider carefully, in addition to the other information contained in this Invitation, the following:

Market for Target Bonds. The Target Bonds are not listed on any national or regional securities exchange. To the extent that the Target Bonds are traded, their prices may fluctuate greatly depending on the trading volume and the balance between buy and sell orders. Bondowners may be able to effect a sale of the Target Bonds at a price higher than the Offer Purchase Price established pursuant to this Invitation.

Target Bonds Not Tendered for Purchase; Sinking Fund Installment Schedule Modification. Bondowners of Target Bonds who do not accept this Invitation will continue to hold their respective interests in such Target Bonds. If Target Bonds are purchased pursuant to this Invitation, the principal amount of Target Bonds for a particular maturity and corresponding CUSIP that remains outstanding will be reduced, which could adversely affect the liquidity and market value of the Target Bonds of that maturity and CUSIP that remain outstanding.

The Target Bond with CUSIP number 594615HY5 is currently considered "index eligible" as it totals at least \$300,000,000 in par (the "**Index Eligible Bond**"). Unpurchased Bonds of this CUSIP may no longer be considered "index eligible" due to the potentially reduced par amount outstanding.

Target Bonds that remain outstanding will continue to be governed by their terms.

Potential Subsequent Transactions. To the extent Target Bonds are not purchased pursuant to this Invitation, the Issuer reserves the right to, and may in the future decide to, acquire some or all of the Target Bonds through open market purchases, privately negotiated transactions, subsequent tender offers, exchange offers or otherwise, upon such terms and at such prices as it may determine, which may be more or less than the consideration offered pursuant to this Invitation, and which could be cash or other consideration. Any future acquisition of Target Bonds may be on the same terms or on terms that are more or less favorable to Bondowners than the terms described in this Invitation. The Issuer also reserves the right in the future to refund or redeem any remaining portion of outstanding Target Bonds, pursuant to their terms, through the issuance of publicly offered or privately placed tax-exempt or taxable bonds. The decision to undertake any such future transactions will depend on various factors existing at that time. There can be no assurance as to which of these alternatives, if any, the Issuer may ultimately choose to pursue in the future.

Ratings. As of the date of this Invitation, the Target Bonds are rated "Aa2" (stable outlook) by Moody's Investors Service, Inc. and "AA" (stable outlook) by Fitch Ratings, Inc. The ratings of the Target Bonds by each rating agency reflect only the views of such organization and any desired explanation of the

significance of such ratings and any outlooks or other statements given by such rating agency with respect thereto should be obtained from such rating agency.

There is no assurance that the current ratings assigned to the Target Bonds will continue for any given period of time or that any of such ratings will not be revised upward or downward, suspended or withdrawn entirely by any rating agency. Any such upward or downward revision, suspension or withdrawal of such ratings may have an effect on the availability of a market for or the market price of the Target Bonds. Each Bondowner should review these ratings and consult with its financial representatives concerning them.

Market Conditions. The purpose of this Tender Offer is to provide the Issuer with the opportunity to purchase a portion of the Target Bonds. The final decision to purchase Target Bonds, and which Target Bonds will be accepted for purchase by the Issuer will, in part, be based upon market conditions and other factors outside of the control of the Issuer.

The Dealer Manager is not acting as a financial or municipal advisor to the Issuer in connection with this Tender Offer.

18. The Dealer Manager. References in this Invitation to the Dealer Manager are to Jefferies LLC only in its capacity as the Dealer Manager.

The Dealer Manager may contact Bondowners regarding this Tender Offer and may request brokers, dealers, custodian banks, depositories trust companies and other nominees to forward this Invitation to beneficial owners of the Target Bonds.

The Issuer, subject to the terms of the Dealer Manager Agreement, will pay the Dealer Manager a fee for its services in connection with this Tender Offer, and in addition, the Issuer will pay the Dealer Manager its reasonable out-of-pocket costs and expenses relating to this Tender Offer.

The Dealer Manager, including its affiliates, is a full-service financial institution engaged in various activities, which may include securities trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage, and other financial and non-financial activities and services. The Dealer Manager and its affiliates have, from time to time, performed, and may in the future perform, a variety of these services for the Issuer, for which they received and or will receive customary fees and expenses. In the ordinary course of their various business activities, the Dealer Manager and its affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities, which may include credit default swaps) and financial instruments (including bank loans) for their own accounts and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities of the Dealer Manager and/or its affiliates may involve securities and instruments of the Issuer, including but not limited to Target Bonds, whether or not tendered for purchase pursuant to this Invitation.

In addition to its role as Dealer Manager in connection with this Tender Offer, the Dealer Manager is currently expected to act as the lead book-running underwriter of the Refunding Bonds, anticipated to be issued by the Issuer as described in the Refunding Bond POS attached as **Appendix A** and, as such, they will receive compensation in connection with that transaction as well.

19. Information Agent and Tender Agent. The Authorized Officer has appointed, and hereby affirms such appointment by publication of this Invitation, Globic Advisors Inc. to act as the Information Agent and Tender Agent in connection with the Tender Offer and has authorized Jefferies LLC to engage the Information and Tender Agent to advise the Issuer and Dealer Manager as to such matters related to the Tender Offer. The Issuer will pay the Information Agent and Tender Agent customary fees

for its services in connection with this Tender Offer, and in addition, the Issuer will pay the Information Agent and Tender Agent its reasonable out-of-pocket costs and expenses related to this Tender Offer, subject to the terms of the Dealer Manager Agreement.

20. Miscellaneous. This Invitation is not being made to, and offers will not be accepted from or on behalf of, Bondowners in any jurisdiction in which this Invitation or the acceptance thereof would not be in compliance with the laws of such jurisdiction. In those jurisdictions whose laws require this Tender Offer to be made through a licensed or registered broker or dealer, this Tender Offer is being made on behalf of the Issuer by the Dealer Manager.

No one has been authorized by the Issuer, the Dealer Manager, or the Information Agent and Tender Agent to recommend to any Bondowners whether to tender Target Bonds for purchase pursuant to this Invitation. No one has been authorized to give any information or to make any representation in connection with this Tender Offer other than those contained in this Invitation. Any recommendation, information and representations given or made cannot be relied upon as having been authorized by the Issuer, the Dealer Manager, or the Information Agent and Tender Agent.

None of the Issuer, the Dealer Manager, or the Information Agent and Tender Agent makes any recommendation that any Bondowner tender or refrain from tendering all or any portion of such Bondowner's Target Bonds for purchase. Bondowners must make these decisions and should consult with their broker-dealer, account executive, financial advisor, attorney and/or other appropriate professionals.

21. Available Information; Contact Information. Certain information relating to the Target Bonds and the Issuer may be obtained by contacting the Dealer Manager or Information Agent and Tender Agent at the contact information set forth below. Such information is limited to (i) the Invitation, including the information set forth in the Refunding Bond POS, which is attached hereto as **Appendix A**, and (ii) information about the Issuer available through the EMMA Website.

Investors with questions about this Tender Offer should contact the Dealer Manager or the Information Agent and Tender Agent utilizing the contact information below:

The Dealer Manager for this Tender Offer is:

JEFFERIES LLC

Contact your Jefferies LLC Representative or Jefferies LLC's Municipal Syndicate Desk
520 Madison Avenue
New York, NY 10022
Tel: (800) 567-8567
muni_underwriting@jefferies.com

The Information Agent and Tender Agent for this Tender Offer is:

GLOBIC ADVISORS INC.

Attention: Robert Stevens
485 Madison Avenue, 7th Floor
New York, NY 10022
Tel.: (212) 227-9622
rstevens@globic.com
Document Website: www.globic.com/sba

Appendix A

REFUNDING BOND PRELIMINARY OFFICIAL STATEMENT

PRELIMINARY OFFICIAL STATEMENT DATED JUNE 10, 2024

NEW ISSUE-Book Entry Only

Ratings: Moody's: _____

Fitch: _____

(See "Ratings" herein)

In the opinion of the Attorney General of the State of Michigan and in the opinion of Bond Counsel (i) subject to compliance with certain covenants, under existing law, interest on the 2024II Bonds (as defined herein) is excluded from gross income for federal income tax purposes except as described under "TAX MATTERS" herein and (ii) the 2024II Bonds and interest thereon are exempt from all taxation by the State of Michigan or any of its political subdivisions, except estate taxes and taxes on gains realized from the sale, payment or other disposition thereof. See Appendices III and IV.

\$130,000,000*

STATE BUILDING AUTHORITY

State of Michigan

**2024 Revenue and Revenue Refunding Bonds,
Series II (Facilities Program)**

Dated: Date of Delivery

Due: As shown on inside front cover page

The 2024 Revenue and Revenue Refunding Bonds, Series II (Facilities Program) (the "2024II Bonds") are being issued by the State Building Authority of the State of Michigan (the "Authority") pursuant to a resolution adopted by the Authority on May 21, 2024. The 2024II Bonds are being issued pursuant to the Master Indenture (as defined in this Official Statement) between the Authority and U.S. Bank Trust Company, National Association, Detroit, Michigan, as Trustee (the "Trustee"). When issued, the 2024II Bonds will be fully registered bonds registered in the name of Cede & Co. as registered owner and nominee for The Depository Trust Company, New York, New York ("DTC"). So long as Cede & Co. is the registered owner of the 2024II Bonds, the principal of and interest on the 2024II Bonds are payable by the Trustee or any successor transfer agent to Cede & Co., as nominee for DTC. Purchasers shall acquire beneficial ownership interests in the 2024II Bonds in authorized denominations as described in this Official Statement.

Interest will accrue on the 2024II Bonds at the rates set forth on the inside front cover page of this Official Statement, and such interest will be payable on April 15 and October 15 of each year until maturity or prior redemption commencing October 15, 2024 to the Registered Owners in whose names the 2024II Bonds are registered at the close of business on the first day of the month in which an Interest Payment Date occurs (the "Record Date"). (See "THE 2024II BONDS" herein.)

The 2024II Bonds are subject to optional redemption, mandatory redemption, and extraordinary redemption prior to maturity as described in this Official Statement. (See "THE 2024II BONDS — Redemption Provisions of Bonds.")

The 2024II Bonds, together with the other bonds of equal standing and parity of security as described in the Master Indenture pursuant to which they are issued, are secured by and payable solely from Rentals (as defined in this Official Statement) to be paid by the State of Michigan (the "State") under the Leases (as defined in this Official Statement) and other revenues and funds pledged under the Master Indenture. The proceeds of the 2024II Bonds will be used, along with certain other funds available under the Master Indenture or resolution, to (a) refund a portion of outstanding commercial paper notes of the Authority (the "Notes") which provided interim financing for the cost of the construction and improvement, including reimbursement of construction costs, of the 2024II Facilities (as defined in this Official Statement), (b) pay additional costs related to some or all of the 2024II Facilities and capitalized interest, if any, (c) provide funds to purchase the Purchased Bonds (as defined in this Official Statement), (d) make a deposit or deposits in the acquisition fund(s), if necessary, for the 2024II Bonds and (e) pay the costs incidental to the issuance of the 2024II Bonds, the refunding of the Notes, the Tender Offer (as defined in this Official Statement) and the purchase and cancelation of the Purchased Bonds. The 2024II Bonds are limited obligations of the Authority and do not constitute general obligations of the Authority or obligations or debts of the State or the Educational Institutions (as defined in this Official Statement) and neither the credit of the State or the Educational Institutions nor the taxing power of the State is pledged for the payment of the principal, premium, if any, or interest on the 2024II Bonds. The Authority has no taxing power.

The 2024II Bonds are offered when, as and if issued by the Authority and subject to receipt of the approving opinions of the Attorney General of the State of Michigan, and Miller, Canfield, Paddock and Stone, P.L.C., Detroit, Michigan, Bond Counsel. Certain legal matters will be passed upon for the Underwriters by its counsel, Dykema Gossett PLLC, Lansing, Michigan. Robert W. Baird & Co. Incorporated, Lansing, Michigan, is serving as municipal advisor to the Authority in connection with the sale and issuance of the 2024II Bonds. It is expected that delivery of the 2024II Bonds will be made through the facilities of DTC on or about July __, 2024.

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.

Jefferies

Academy Securities, Inc.

Cabrera Capital Markets, LLC

Ramirez & Co., Inc.

Dated: June __, 2024

* Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion, amendment or other change without notice. The securities described herein may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

\$130,000,000^{*} 2024 Revenue and Revenue Refunding Bonds, Series II (Facilities Program)

\$ _____^{*} Serial Bonds

<u>Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price</u>	<u>CUSIP[†]</u>	<u>Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price</u>	<u>CUSIP[†]</u>
10/15/24					04/15/35				
04/15/25					10/15/35				
10/15/25					04/15/36				
04/15/26					10/15/36				
10/15/26					04/15/37				
04/15/27					10/15/37				
10/15/27					04/15/38				
04/15/28					10/15/38				
10/15/28					04/15/39				
04/15/29					10/15/39				
10/15/29					04/15/40				
04/15/30					10/15/40				
10/15/30					04/15/41				
04/15/31					10/15/41				
10/15/31					04/15/42				
04/15/32					10/15/42				
10/15/32					04/15/43				
04/15/33					10/15/43				
10/15/33					04/15/44				
04/15/34					10/15/44				
10/15/34									

\$ _____^{*} _____% Term Bonds
 Due October 15, 2049^{*} Price: _____% CUSIP[†]: _____

\$ _____^{*} _____% Term Bonds
 Due October 15, 2054^{*} Price: _____% CUSIP[†]: _____

\$ _____^{*} _____% Term Bonds
 Due October 15, 2059^{*} Price: _____% CUSIP[†]: _____

^{*} Preliminary, subject to change.

^c – Priced to the _____ call date.

[†] Registered trademark of American Bankers Association. CUSIP numbers are provided by Standard & Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. The CUSIP numbers listed above are being provided solely for the convenience of Bondholders only at the time of issuance of the 2024II Bonds and the Authority does not make any representation with respect to such number or undertake any responsibility for its accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the 2024II Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity.



STATE BUILDING AUTHORITY

STATE OF MICHIGAN

Board of Trustees:

EHRlich J. CRAIN, Chairperson
MICHAEL BARNWELL, Vice-Chairperson
TODD BEGEROWSKI
PRICE DOBERNICK
AARON PANGBORN

Executive Director:

ANDREW BOETTCHEr

Municipal Advisor:

ROBERT W. BAIRD & CO. INCORPORATED

Trustee:

U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION

Counsel to the Authority:

THE ATTORNEY GENERAL OF THE STATE OF MICHIGAN

Bond Counsel:

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

Underwriters' Counsel:

DYKEMA GOSSETT PLLC

No dealer, broker, salesman or other person has been authorized by the Authority to give any information or to make any representations, other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the 2024II Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth in this Official Statement has been obtained from the Authority, the State, the Educational Institutions and other sources which are believed to be reliable, including The Depository Trust Company with respect to the information contained in Appendix II, but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the Authority. The information and expressions of opinion in this Official Statement are subject to change without notice, and neither the delivery of this Official Statement nor any sale made under this Official Statement shall, under any circumstances, create any implication that there has been no change in the affairs of the parties referred to above or that the other information or opinions are correct as of any time subsequent to the date of this Official Statement. The Trustee has not participated in the preparation of this Official Statement and assumes no responsibility for it.

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

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2024II BONDS AT A LEVEL ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE UNDERWRITERS HAVE PROVIDED THE FOLLOWING SENTENCE FOR INCLUSION IN THIS OFFICIAL STATEMENT. THE UNDERWRITERS HAVE REVIEWED THE INFORMATION IN THIS OFFICIAL STATEMENT IN ACCORDANCE WITH, AND AS PART OF, THEIR RESPECTIVE RESPONSIBILITIES TO INVESTORS UNDER THE FEDERAL SECURITIES LAW AS APPLIED TO THE FACTS AND CIRCUMSTANCES OF THIS TRANSACTION, BUT THE UNDERWRITERS DO NOT GUARANTEE THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION.

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

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OFFICIAL STATEMENT

STATE BUILDING AUTHORITY State of Michigan

relating to

\$130,000,000^{*} STATE BUILDING AUTHORITY State of Michigan 2024 Revenue and Revenue Refunding Bonds, Series II (Facilities Program)

SUMMARY STATEMENT

General

This Official Statement of the State Building Authority of the State of Michigan (the “**Authority**”) is provided in connection with the Authority’s 2024 Revenue and Revenue Refunding Bonds, Series II (Facilities Program) (the “**2024II Bonds**”).

The Authority was created pursuant to Act No. 183, Public Acts of Michigan, 1964, as amended (“**Act 183**”), and trustees were first appointed in 1977. The purpose of the Authority is to acquire, construct, furnish, equip, own, improve, renovate, enlarge, operate, mortgage and maintain buildings and necessary parking structures or lots and facilities and sites therefor or furnishings or equipment for the use of the State of Michigan (the “**State**”), including certain institutions of higher education of the State.

The 2024II Bonds are being issued pursuant to a resolution adopted by the Authority on May 21, 2024 and the Master Indenture (defined below). The proceeds of the 2024II Bonds will be used, along with certain other funds available under the Master Indenture or resolution, to (a) refund a portion of outstanding commercial paper notes of the Authority (the “**Notes**”) which provided interim financing for the cost of the construction and improvement, including reimbursement of construction costs, of the 2024II Facilities (as defined in this Official Statement), (b) pay additional costs related to some or all of the 2024II Facilities, and capitalized interest, if any, (c) provide funds to purchase the Purchased Bonds (as defined in this Official Statement); (d) make a deposit or deposits in the acquisition fund(s), if necessary, for the 2024II Bonds and (e) pay the costs incidental to the issuance of the 2024II Bonds, the refunding of the Notes, the Tender Offer (as defined in this Official Statement), and the purchase and cancelation of the Purchased Bonds.

The 2024II Bonds, together with the other bonds of equal standing and parity of security as described in the Master Indenture, are separately secured by and payable solely from Rentals (as defined in this Official Statement) to be paid by the State under the Leases (as defined in this Official Statement) and other revenues and funds pledged under the Master Indenture, as described in this Official Statement.

^{*}Preliminary, subject to change.

The 2024II Bonds are being issued as Master Indenture Additional Bonds (as defined below). The principal of and interest on the 2024II Bonds are secured and are payable solely from the Rentals under the Leases and other funds and revenues pledged under the Master Indenture and such amounts are payable on a parity basis with the Authority’s 2024 Multi-Modal Revenue Bonds, Series I (Facilities Program) (the “**2024I Bonds**”, issued and dated July __, 2024); 2023 Multi-Modal Revenue Bonds, Series I (Facilities Program) and 2023 Revenue Refunding Bonds, Series II (Facilities Program) (collectively, the “**2023 Bonds**”), 2022 Revenue Bonds, Series I (Facilities Program) (the “**2022 Bonds**”); 2021 Revenue Bonds, Series I (Facilities Program) (the “**2021 Bonds**”); 2020 Revenue and Revenue Refunding Bonds, Series I (Facilities Program), 2020 Revenue Refunding Bonds, Series II (Facilities Program) (Federally Taxable) and 2020 Multi-Modal Revenue Refunding Bonds, Series III (Facilities Program) (collectively, the “**2020 Bonds**”); 2019 Revenue and Revenue Refunding Bonds, Series I (Facilities Program) (the “**2019 Bonds**”); 2016 Revenue and Revenue Refunding Bonds, Series I (Facilities Program) (the “**2016 Bonds**”); 2015 Revenue and Revenue Refunding Bonds, Series I (Facilities Program) (the “**2015 Bonds**”); and any additional bonds (the “**Master Indenture Additional Bonds**”) issued under the Master Indenture. The 2024I Bonds, the 2024II Bonds, the 2023 Bonds, the 2022 Bonds, the 2021 Bonds, the 2020 Bonds, the 2019 Bonds, the 2016 Bonds, the 2015 Bonds, and any Master Indenture Additional Bonds are hereinafter referred to as the “**Master Indenture Bonds.**” The 2024I Bonds are being marketed pursuant to a separate official statement. See the Table of Outstanding Master Indenture Bonds set forth below. The Authority has no bonds outstanding other than the Master Indenture Bonds described in the table below.

<u>Outstanding Fixed Rate Bonds</u>	<u>Outstanding Principal as of June 1, 2024</u>
2023 Revenue Refunding Bonds, Series II (Facilities Program)	\$276,560,000
2022 Revenue Bonds, Series I (Facilities Program)	137,045,000
2021 Revenue Bonds, Series I (Facilities Program)	189,605,000
2020 Revenue and Revenue Refunding Bonds, Series I (Facilities Program)	205,200,000
2020 Revenue Refunding Bonds, Series II (Facilities Program) (Federally Taxable) ¹	520,640,000
2019 Revenue and Revenue Refunding Bonds, Series I (Facilities Program)	171,550,000
2016 Revenue and Revenue Refunding Bonds, Series I (Facilities Program)	539,080,000
2015 Revenue and Revenue Refunding Bonds, Series I (Facilities Program)	787,165,000
<u>Outstanding Variable Rate Bonds</u>	
2023 Multi-Modal Revenue Bonds, Series I (Facilities Program)	\$113,845,000
2020 Multi-Modal Revenue Refunding Bonds, Series III (Facilities Program)	<u>32,835,000</u>
Total Outstanding Master Indenture Bonds	<u>\$2,973,525,000</u>

¹ Includes the Target Bonds (as defined and described in more detail in the Invitation (as defined herein)).

The 2024II Bonds are limited obligations of the Authority and do not constitute general obligations of the Authority or obligations or debts of the State or the Educational Institutions (as defined in this Official Statement) and neither the credit of the State or the Educational Institutions nor the taxing power of the State is pledged for the payment of the principal of or interest on the 2024II Bonds. The Authority has no taxing power. To the extent the Educational Institutions have taxing power, such taxing power is not pledged for the payment of the principal of and interest on the 2024II Bonds (see “THE EDUCATIONAL INSTITUTIONS” herein).

This Official Statement contains a brief description of the 2024II Bonds and the documentation relating to the 2024II Bonds and certain other information applicable to the 2024II Bonds and the security for the 2024II Bonds. Certain financial and other information concerning the State, including information regarding recent developments, is contained in Appendix I. All financial and other data included in this Official Statement have been provided by the Authority and the State. The summaries of the Leases and the Master Indenture contained in this Official Statement do not purport to be complete or definitive and are qualified in their entirety by reference to such documents, copies of which may be obtained from Andrew Boettcher, Executive Director of the State Building Authority, Richard H. Austin State Office Building, 430 W. Allegan Street, First Floor, Lansing, Michigan 48922, telephone: (517) 335-0994. Terms not defined in this Official Statement shall have the meaning set forth in the Master Indenture and Leases.

INTRODUCTION

The 2024II Bonds

The 2024II Bonds are being issued in the aggregate principal amount of \$130,000,000* as Master Indenture Additional Bonds pursuant to a resolution adopted by the Authority on May 21, 2024 and a Trust Indenture, dated as of July 1, 2003, between the Authority and U.S. Bank Trust Company, National Association, formerly known as U.S. Bank National Association, as trustee (the “**Trustee**”), as amended and supplemented by a 2003 Series II Supplemental Trust Indenture dated as of November 1, 2003, a 2005 Series I Supplemental Trust Indenture dated as of January 1, 2005, a 2005 Series II Supplemental Trust Indenture dated as of December 1, 2005, a 2006 Series I Supplemental Trust Indenture dated as of September 1, 2006, a 2007 Series I Supplemental Trust Indenture dated as of December 1, 2007, a 2008 Series I Supplemental Trust Indenture dated as of November 1, 2008, a 2009 Series I Supplemental Trust Indenture dated as of August 1, 2009, a 2009 Series II Supplemental Trust Indenture dated as of December 1, 2009, a 2011 Series I Supplemental Trust Indenture dated as of July 1, 2011, a 2013 Series I Supplemental Trust Indenture dated as of July 1, 2013, a 2015 Series I Supplemental Trust Indenture dated as of August 1, 2015, a 2016 Supplemental Trust Indenture dated as of August 1, 2016, a 2017 Supplemental Trust Indenture dated as of September 1, 2017, a 2019 Supplemental Trust Indenture dated as of July 1, 2019, a 2020 Series I Supplemental Trust Indenture dated as of September 1, 2020, a 2020 Series II Supplemental Trust Indenture dated as of September 1, 2020, a 2020 Series III Supplemental Trust Indenture dated as of September 1, 2020, a 2021 Series I Supplemental Trust Indenture dated as of July 1, 2021, a 2022 Series I Supplemental Trust Indenture dated as of August 1, 2022, a 2023 Series I Supplemental Trust Indenture dated as of July 1, 2023, 2023 Series II Supplemental Trust Indenture dated as of August 1, 2023, a 2024 Series I Supplemental Trust Indenture dated as of July 1, 2024 and a 2024 Series II Supplemental Trust Indenture dated as of July 1, 2024, each between the Authority and the Trustee (such Trust Indenture and Supplemental Trust Indentures, collectively, the “**Master Indenture**”). See “SUMMARY OF THE MASTER INDENTURE” herein.

*Preliminary, subject to change.

Prior to or at the time of the issuance of the various series of Master Indenture Bonds, the Authority entered into certain lease agreements (the “**Prior Master Indenture Leases**”) and the monthly installments of annual rental to the Authority (collectively, the “**Rentals**”) to be paid under such leases were pledged as security for the outstanding Master Indenture Bonds (the “**Outstanding Master Indenture Bonds**”). Prior to or at delivery of the 2024I Bonds, the Authority entered into three (3) separate leases (the “**2024I Leases**”) with the State and certain Educational Institutions with respect to certain facilities (the “**2024I Facilities**”). The Authority is entering into two (2) separate Leases in connection with the issuance of the 2024II Bonds (the “**2024II Leases**,” and together with the 2024I Leases, the “**2024 Leases**”) with the State and certain Educational Institutions with respect to the 2024I Facilities (as described and defined in this Official Statement). The Prior Master Indenture Leases, the 2024 Leases and any Additional Leases which may secure the Master Indenture Bonds if Master Indenture Additional Bonds are issued are collectively referred to as the “**Leases**.” Each facility which is leased pursuant to a Lease is referred to as a “**Facility**,” and are collectively referred to as the “**Facilities**.” The Rentals due under the Leases are pledged as security for the Outstanding Master Indenture Bonds, which, as of the date of issuance, include the 2024II Bonds. See “SECURITY FOR AND SOURCES OF PAYMENT OF THE 2024II BONDS” herein.

For additional information regarding the State’s process for selecting participating facilities, see “SECURITY FOR AND SOURCES OF PAYMENT OF THE 2024II BONDS – Environmental, Social and Governance (“ESG”) Considerations.”

Rentals from Leases

The State, under each of the Leases, is contractually bound for the term of each Lease to pay the Rentals. The Rentals are payable only from State appropriations. The Rentals continue pursuant to each Lease for the term of such Lease unless the related Facility becomes untenable for reasons other than those due to the fault of the State or the Educational Institution using the Facility. The Rentals under each Lease may commence when the related Facility or a portion of such Facility becomes tenantable. All of the Facilities are tenantable and Rentals under the Prior Master Indenture Leases have commenced. Rentals under the 2024I Leases commenced upon the issuance of the 2024I Bonds. Rentals under the 2024II Leases will commence upon the issuance of the 2024II Bonds. See “SECURITY FOR AND SOURCES OF PAYMENT OF THE 2024II BONDS – Pledge of Rentals from the Leases” and “SUMMARY OF THE LEASES.” All Rentals received by the Authority under the Leases will be pledged to pay, on a parity basis, the Master Indenture Bonds. See “SECURITY FOR AND SOURCES OF PAYMENT OF THE 2024II BONDS – General.”

The pledge of the Rentals payable under any Lease may be released from the lien of the Master Indenture provided certain conditions are satisfied as described under the heading “SUMMARY OF THE MASTER INDENTURE – Release of Pledge” herein.

THE 2024II BONDS

General

The 2024II Bonds will be dated the date of delivery thereof and will mature on the dates and in the amounts set forth on the inside front cover page of this Official Statement.

The 2024II Bonds will accrue interest at the respective rates set forth on the inside front cover of this Official Statement, and such interest will be payable on April 15 and October 15 of each year until maturity or prior redemption commencing October 15, 2024. The 2024II Bonds shall be subject to

optional redemption, mandatory redemption and extraordinary redemption prior to maturity as described in this Official Statement.

The Trustee or any successor Trustee serving under the Master Indenture will serve as registrar and paying agent for the 2024II Bonds and will keep all books and records necessary for their registration, exchange and transfer in accordance with the terms of the Master Indenture.

The 2024II Bonds are issuable as fully registered Bonds in book entry form as described more fully in Appendix II to this Official Statement. The 2024II Bonds will be registered in the name of Cede & Co., as nominee for DTC. Purchases of beneficial interests in the 2024II Bonds will be made in book-entry-only form in authorized denominations. So long as Cede & Co., as nominee for DTC, is the Registered Owner of the 2024II Bonds, the transfer of interests in the 2024II Bonds shall be the sole responsibility of the Direct Participants, the Indirect Participants and the Beneficial Owners. The Authority shall have no responsibility with respect to such transfers. See Appendix II for further information regarding DTC and the book-entry-only system.

Purchases of beneficial interests in the 2024II Bonds will be made in authorized denominations of \$5,000 and any integral multiple thereof.

Investment Considerations

A prospective purchaser of the 2024II Bonds should carefully consider the suitability of such an investment, including his or her tax situation, liquidity needs, investment goals and cash needs. A prospective purchaser of the 2024II Bonds should compare the marketability of the 2024II Bonds to other tax-exempt and taxable investments. Generally, the price for which an investor can sell a fixed-income investment like the 2024II Bonds depends upon a number of factors, including the then current interest rate for similar obligations. If interest rates for similar obligations are higher than the interest rate or yield to maturity on the Bond being sold, the Bond being sold should be expected to sell for a price which is less than the price when originally purchased.

Redemption Provisions of Bonds

The 2024II Bonds are subject to redemption prior to maturity, as described below.

Optional Redemption. The 2024II Bonds maturing on or before October 15, 2034* are not subject to optional redemption prior to maturity. The 2024II Bonds maturing on or after April 15, 2035* are subject to redemption prior to maturity, at the option of the Authority, in whole or in part in any order of maturity determined by the Authority (and by lot within a single maturity) on any date beginning on October 15, 2034*, at a price equal to 100% of the principal amount thereof, plus accrued interest to the date fixed for redemption.

Mandatory Redemption. The 2024II Bonds described below will be subject to mandatory redemption as follows:

The 2024II Bonds maturing on October 15, 2049*, and October 15, 2054* and October 15, 2059* and denoted as Term Bonds on the inside front cover page of this Official Statement will be subject to mandatory redemption in whole or in part by lot at a redemption price of 100% of the principal amount

*Preliminary, subject to change.

thereof plus accrued interest at the redemption date prior to maturity in the following principal amounts on the dates specified:

\$ _____ % Term Bonds
due October 15, 2049

<u>Redemption Dates</u>	<u>Principal Amounts</u>
	\$

\$ _____ % Term Bonds
due October 15, 2054

<u>Redemption Dates</u>	<u>Principal Amounts</u>
	\$

\$ _____ % Term Bonds
due October 15, 2059

<u>Redemption Dates</u>	<u>Principal Amounts</u>
	\$

The principal amount of the 2024II Bonds described above to be redeemed on the dates set forth above may be reduced in the order determined by the Authority, by the principal amount of such Bonds of the same maturity which have been previously redeemed or called for redemption (other than as a result of a mandatory redemption requirement) or purchased or acquired by the Authority.

Extraordinary Redemption. The 2024II Bonds are subject to redemption at the option of the Authority, on any date, in whole or in part, in such manner and order as the Authority shall in its discretion determine if a Facility or any part of a Facility, becomes untenable, at 100% of their principal amount, plus accrued interest to the date of redemption; provided, however, that the principal amount of the 2024II Bonds to be redeemed shall not exceed the amount of insurance or condemnation proceeds (including any payments received as a result of self-insurance) or other payments received by the Authority in respect of the part of the Facility becoming untenable. No partial redemption shall occur if the annual Rentals and other Revenues for all of the Facilities estimated to be paid after the redemption shall be less than the Maximum Annual Principal and Interest Requirement on the Master Indenture Bonds after giving effect to the redemption.

Notice of Redemption and Manner of Selection Relating to the 2024II Bonds

Notice of redemption of the 2024II Bonds will be given at least 30 and not more than 45 days prior to the date fixed for redemption, by mail to the Registered Owners as of the date of such mailing at the address appearing on the books of the Trustee. The notice of redemption shall set forth any conditions to the redemption as determined by the Authority. The failure to receive any such mailed notice, or further notices as described below, shall not affect the validity of the redemption. The 2024II Bonds so called for redemption will not bear interest after the date fixed for redemption provided funds are on hand with the Trustee to redeem the same. Each of the 2024II Bonds shall be called in multiples of \$5,000 in principal amount. In the case of a partial redemption of the 2024II Bonds by lot when the 2024II Bonds of denominations greater than the lowest authorized denomination are outstanding, each unit of face value of principal thereof equal to the lowest authorized denomination shall be treated as though it were a separate Bond of such lowest authorized denomination amount. Bonds of denominations of more than \$5,000 face amount shall be treated for redemption as representing the number of Bonds obtained by dividing the denomination by \$5,000, and such Bonds may be selected for redemption in part. The owner of any Bond selected for redemption in part, upon surrender of the Bond for redemption, shall receive without cost a new Bond of like tenor, interest rate and maturity in the amount of the unredeemed portion of the Bond being surrendered.

As long as the 2024II Bonds are registered as book-entry bonds with DTC, the Authority and the Trustee are not required to send the foregoing notices to the Beneficial Owners.

Payments of Principal and Interest

The 2024II Bonds will be registered as to both principal and interest on the books of the Authority maintained for that purpose at the designated office of the applicable Trustee. The principal of or redemption price of the 2024II Bonds will be payable upon maturity or prior redemption, upon surrender of the 2024II Bonds at the designated office of the Trustee for the applicable series. Interest on the 2024II Bonds shall be payable when due by check or draft mailed by the Trustee for such series, or, upon the written request of a Registered Owner of not less than \$1,000,000 principal amount of the 2024II Bonds (which request shall be delivered to the Trustee for the applicable series at least five days prior to the applicable payment date and may provide that it will apply to each subsequent payment date unless and until revoked by subsequent written notice to the Trustee), by wire transfer to the Registered Owners as their names appear on the records of the Trustee for such series on the first day of the month in which an interest payment date occurs. Interest on the 2024II Bonds is computed on the basis of a 360-day year consisting of 12 months of 30 days each.

Depositories

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

Transfer of the 2024II Bonds

So long as Cede & Co., as nominee for DTC, is the Registered Owner of the 2024II Bonds, beneficial ownership interests in the 2024II Bonds may only be transferred through a DTC Participant or Indirect Participant and recorded on the book-entry-only system operated by DTC. See Appendix II for further information regarding DTC and the book-entry-only system. In the event the book-entry-only

system is discontinued, any Bond may be transferred by the person in whose name it is registered, in person or by his duly authorized attorney or legal representative, upon surrender of any Bond to the Trustee for cancellation, together with a duly executed instrument of transfer in a form approved by the Trustee. Whenever any Bonds are surrendered for transfer the Trustee shall authenticate and deliver new Bonds of the same series, in like tenor, aggregate principal amount, interest rate, and maturity. The Trustee may require the Registered Owner requesting the transfer to pay any tax, fee or other governmental charge required to be paid with respect to the transfer. Neither the Authority nor the Trustee shall be required to (i) register the transfer of or exchange any Bond during a period beginning at the opening of business five Business Days before the day of the mailing of a notice of redemption of Bonds selected for redemption and ending at the close of business on the day of that mailing, (ii) register the transfer of or exchange any Bond selected for redemption in whole or in part except the unredeemed portion of Bonds being redeemed in part, or (iii) make any such exchange or transfer of any Bond during the 15 days immediately preceding an interest payment date on the 2024II Bonds.

Purchase of the Purchased Bonds

On June 10, 2024, the Authority issued its Invitation to Tender Bonds (the “**Invitation**”). Pursuant to the Invitation, the Authority has invited the holders of the Target Bonds (as defined and described in more detail in the Invitation), to tender such Target Bonds for purchase by the Authority (collectively, the “**Tender Offer**”). The Target Bonds tendered and purchased by the Authority in accordance with the terms of the Invitation are referred to herein as the “**Purchased Bonds**.” The offer to purchase Target Bonds is made solely through the Invitation and is subject to the terms and conditions set forth therein. The purchase of the Purchased Bonds is contingent upon the issuance of the 2024II Bonds and certain other conditions to the acceptance of the Purchased Bonds as set forth in the Invitation.

The Authority expects to purchase the Purchased Bonds for cash, subject to the terms and conditions set forth in the Invitation. The Purchased Bonds will be purchased and cancelled on the Settlement Date set forth in the Invitation, which is the expected date of delivery of the 2024II Bonds. Upon purchase and cancellation, the Purchased Bonds shall no longer be deemed outstanding as Master Indenture Bonds.

This section is not intended to summarize all of the terms of the Tender Offer and reference is made to the Invitation for the discussion of the terms and conditions for settlement of the Purchased Bonds. The Target Bonds and the Purchased Bonds are set forth in Appendix VI.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

On or prior to the date of delivery of the 2024II Bonds, Robert Thomas CPA, LLC, independent certified public accountants, will deliver a report attesting to the mathematical accuracy of the computations contained in the schedules prepared by the Underwriters on behalf of the Authority relating to the sufficiency of Rentals under the Leases and funds on hand to pay the principal of the Master Indenture Bonds on their payment dates (whether at maturity or through mandatory redemption) and the interest on the Master Indenture Bonds on their payment dates.

ESTIMATED SOURCES AND USES OF FUNDS

The proceeds of the 2024II Bonds will be used to (a) refund a portion of outstanding Notes which provided interim financing for the cost of the construction and improvement, including reimbursement of construction costs, of the 2024II Facilities, (b) pay additional costs related to some or all of the 2024II Facilities, and capitalized interest, if any, (c) provide funds to purchase the Purchased Bonds; (d)

make a deposit or deposits in the acquisition fund(s), if necessary, for the 2024II Bonds and (e) pay the costs incidental to the issuance of the 2024II Bonds, the refunding of the Notes, the Tender Offer, and the purchase and cancelation of the Purchased Bonds.

The estimated sources and uses of funds for the 2024II Bonds are as follows:

SOURCES OF FUNDS:

Original Principal Amount of Bonds	\$
Net Original Issue Premium	
Other Authority Funds	_____
TOTAL SOURCES OF FUNDS:	\$ _____

USES OF FUNDS:

Deposit to Acquisition Fund for Costs of 2024II Facilities, Refunding of the Notes	\$
Purchase of the Purchased Bonds	
Costs of Issuance	
Underwriters' Discount	_____
TOTAL USES OF FUNDS:	\$ _____

THE 2024II FACILITIES

A portion of the costs of each of the following 2024II Facilities, including costs for which interim financing has been provided by the Notes, are to be paid from proceeds of the Bonds. Such costs include interest and administrative costs with respect to the Notes and other funds which have been advanced to construct the 2024II Facilities. The projects in this issuance improve the health, safety and welfare of Michigan residents. These projects include sustainable designs and environmentally beneficial building practices. More information on project evaluations can be found in Appendix I.

Environmental, Social and Governance (“ESG”) Considerations

Several components of the projects financed by the Notes and refinanced by the Bonds improve the health, safety and welfare of Michigan residents. These projects regularly include more sustainable designs and up-to-date environmentally beneficial building practices, all of which are important factors in each project’s evaluation. More information on project evaluations can be found in Appendix I.

The following descriptions specify the costs of the 2024II Facilities related to the 2024II Bonds, exclusive of any such interest and administrative costs, and summarize the purpose and characteristics of the projects.

Western Michigan University IF-1 Dunbar Hall Renovation

The Western Michigan University Dunbar Hall was built in 1971 as a 78,670 square foot, 5 story building with a mechanical penthouse. The Western Michigan University IF-1 Dunbar Hall Renovation project includes a complete renovation of the existing building and a 5 story, 9,817 square foot addition. The newly completed project will be mostly utilized by the College of Arts

and Sciences and will consist of an assembly hall, classrooms, computer labs, a communications media suite, office spaces and study rooms. Major upgrades will be made including electrical system renovations, a new HVAC system, energy efficient lighting and a new fire and sprinkler system to meet current code requirements.

The existing concrete and steel building substructure and superstructure will remain as well as the existing exterior concrete and metal curtain walls. The building addition will be of similar structure to the existing building and have an exterior of metal and glass exterior walls, allowing enhanced daylight into the existing building. New elevator and stairs will be included for increased accessibility and improved egress paths.

The facility is tenantable and a Certificate of Tenantability has been received.

The total cost of this project will be derived approximately as set forth in the following table:

Bond Proceeds	\$29,999,800
Other	12,730,000
State Appropriations	<u>200</u>
Total Costs	<u>\$42,730,000</u>

Macomb Community College Skilled Trades and Advanced Technology Center

The Skilled Trades and Advanced Technology Center at Macomb Community College’s South Campus is a one-story 120,574 square foot building constructed in 1968. This project will renovate 120,000 square feet of existing space and add on approximately 19,250 square feet. The renovation will improve classroom spaces using enhanced technology and equipment systems to increase productivity, efficiency, and safety. Classrooms and labs will be more open and flexible creating well-lit high bay spaces. The design will make improvements affecting the Educational Institution’s Advanced Manufacturing, Welding, Mechatronics/Electronics, and Media and Communication Arts programs, as well as updating office space.

Numerous upgrades and improvements will be made including roof replacement, new exterior doors and windows, upgraded barrier-free and code compliant toilet rooms, new energy efficient mechanical and electrical systems, and updated plumbing fixtures. Furthermore, advanced features will improve lighting and HVAC temperature controls. Additions will be constructed with poured concrete foundations and use a steel frame structure. Exterior walls will be constructed of masonry and metal panel systems.

The facility is tenantable and a Certificate of Tenantability has been received.

The total cost of this project will be derived approximately as set forth in the following table:

Bond Proceeds	\$14,846,900
Other	29,939,100
State Appropriations	<u>200</u>
Total Costs	<u>\$44,786,200</u>

SECURITY FOR AND SOURCES OF PAYMENT OF THE 2024II BONDS

General

The 2024II Bonds. The 2024II Bonds are payable solely from and secured, on a parity basis with all other Master Indenture Bonds, by a pledge and a first lien authorized by Act 183 on (a) all Rentals and other revenues which may be received by the Authority pursuant to the Leases (see the Table of Facilities below), (b) all amounts in the Acquisition Fund, Revenue Fund and Bond Payment Fund created under the Master Indenture, (c) all amounts, if any, in the Debt Service Reserve Fund and Redemption Fund created under the Master Indenture, and (d) the net proceeds of insurance payable to the Authority on account of damage to, destruction of or loss of use and occupancy of the Facilities or any portion thereof.

The Authority's plan of financing provides that the security for the Master Indenture Bonds, on a parity basis, will only include the Rentals under the Leases, without regard to the original cost of the Facilities to which the Leases relate. Certain Leases may be cancelled, as determined by the Authority, under the conditions set forth in the Master Indenture, and if so cancelled, would not be security for the 2024II Bonds or any other Master Indenture Bonds.

Release of Pledge. The pledge of the Rentals payable under any Lease may be released from the lien of the Master Indenture, provided certain conditions are satisfied as described under the heading "SUMMARY OF THE MASTER INDENTURE – Release of Pledge."

THE 2024II BONDS WILL BE LIMITED OBLIGATIONS OF THE AUTHORITY AND WILL NOT CONSTITUTE GENERAL OBLIGATIONS OF THE AUTHORITY, OR OBLIGATIONS OR DEBTS OF THE STATE OR THE EDUCATIONAL INSTITUTIONS, WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY LIMITATION, AND NEITHER THE CREDIT OF THE STATE NOR THE TAXING POWER OF THE STATE IS PLEDGED FOR THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR THE INTEREST ON THE 2024II BONDS. THE AUTHORITY HAS NO TAXING POWER. TO THE EXTENT THE EDUCATIONAL INSTITUTIONS HAVE TAXING POWER, SUCH TAXING POWER IS NOT PLEDGED FOR THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE 2024II BONDS. SEE "THE EDUCATIONAL INSTITUTIONS."

Pledge of Rentals from the Leases

The Rentals from the Leases may be used, when paid, (a) first to compensate the Trustee, (b) second for the payment of the principal of, premium, if any, and interest on the Master Indenture Bonds on a parity basis with the other Outstanding Master Indenture Bonds, and costs related to the Master Indenture Bonds and the Facilities, and (c) third, through the Redemption Fund under the Master Indenture, for such other purposes as are specified in the Master Indenture.

The Governor of the State is required by Act 183 and the terms of the Leases to include in the annual Executive Budget of the State each year, and the Legislature and future legislatures are contractually obligated to appropriate each year, amounts sufficient to pay the Rentals required to be paid annually by the State to the Authority, subject to each Facility being tenantable. For a description of the advisory opinion of the Michigan Supreme Court on the nature of the contractual obligation of the State, see "ADVISORY OPINION." The State has appropriated sufficient funds to make all Rental payments due under the Leases during the State's 2023-2024 fiscal year. It is anticipated that the budget for the State's 2024-2025 fiscal year will be finalized prior to issuance of the 2024II Bonds. If the amount appropriated in line-item appropriations is not sufficient to pay the rent obligations and insurance premiums and deductibles identified in the line-items appropriations for Authority projects, there is

appropriated from the General Fund of the State the amount necessary to pay such obligations. Under the State's constitution and state law, the State is required to maintain a balanced budget for each fiscal year. The State has never failed to make an appropriation to make all Rental payments due under the Leases since the establishment of the Authority.

The Rentals under each Lease commence when the related Facility or a portion of such Facility becomes tenantable. All of the Facilities are tenantable. Rentals under the 2024I Leases commence upon the issuance of the 2024I Bonds, Rentals under the 2024II Leases will commence upon the issuance of the 2024II Bonds, and Rentals under the Prior Master Indenture Leases have commenced.

The Rentals for each Lease are based solely on an appraisal of the economic or market value of the leasehold interest of the related Facility. The State Administrative Board, as required by Act 183, caused such appraisals to be made by an independent appraiser (the "**Appraiser**"). With respect to each Facility, the Appraiser has stated that its appraisal was made using such commonly employed procedures as will fairly determine the economic or market value of each Facility. Once the Rentals for a Lease have been established, they are not subject to change except upon the occurrence of certain events. See "SECURITY FOR AND SOURCES OF PAYMENT OF THE 2024II BONDS – Factors Affecting State Rental Obligation and Insurance Provisions."

Each Site (as defined in the Master Indenture) and the related Facility have been conveyed to the Authority, and the Authority has leased such Facility to the State or to the State and an Educational Institution, for use by the State or by such Educational Institution, as the case may be. Appropriations by the State for payment of Rentals are an ordinary expense and contractual obligation of the State. Under the Leases, payments are due, in advance, on the first day of each month during the term of the Leases after the Rentals under such Leases have commenced.

The Leases have been approved by resolutions of the State Administrative Board, by concurrent resolutions and/or appropriations acts of the Legislature adopted by majority vote of the members elected to and serving in each house and by resolutions of the Board of Trustees of the Authority, and, where appropriate, by the governing bodies of the Educational Institutions using the Facilities.

The Leases require that all operation and maintenance expenses of the Facilities, including insurance premiums for insurance required by the Leases, be paid by the State or by the applicable Educational Institution using a Facility. See "SUMMARY OF THE LEASES – Operation and Maintenance of Facilities and Insurance."

Annual Rental Payments. The Appraiser has found and determined that the Annual Rentals for each Facility are the amount per year shown in the following table for each Facility over and above the expenses of operation, maintenance and repair of the Facility, not taking into account the right of the State or the Educational Institution using the Facility to acquire title to such Facility without further payment upon termination of the applicable Lease.

Leases and Facilities. The Leases are security for, on a parity basis, the Authority's Master Indenture Bonds, including the 2024II Bonds. Set forth below for each Lease which will be subject to the lien of the Master Indenture as of the date of issuance of the 2024II Bonds, is the date of each such Lease, the expiration date of each such Lease and annual Rentals for each of the Facilities. See " – Verification of Lease Rental Sufficiency," below.

Table of Facilities⁽¹⁾

<u>Facility</u>	<u>Date of Lease</u>	<u>Expiration Date</u>	<u>Annual Rental</u>
Mid Michigan Community College Instructional Classrooms, Laboratories and Student Services Facilities	5/1/1999	4/30/2034	\$160,000
Southwestern Michigan College South County Extension	8/1/1999	7/31/2034	120,500
Alpena Community College Concrete Technology Center	12/1/2000	11/30/2035	300,000
Department of Corrections St. Louis Correctional Facility Secure Level I	12/1/2000	11/30/2035	1,895,000
Eastern Michigan University Health and Human Services Building	12/1/2000	11/30/2035	1,340,000
Grand Valley State University School of Business and Graduate Library	12/1/2000	11/30/2035	3,320,000
Community College District of Monroe County Business and Technological Center, Library, Welding and Fastening Project	3/1/2001	2/29/2036	115,000
Macomb Community College University Center	3/1/2001	2/29/2036	600,000
Northern Michigan University West Science Building Remodeling (Phase I) Seaborg Science Building	3/1/2001	2/29/2036	1,905,000
Oakland University Classroom/Business School Office Building	3/1/2001	2/29/2036	1,211,000
Ferris State University - Library Addition and Renovation (Phase I)	11/1/2001	10/31/2036	2,625,000
Kalamazoo Valley Community College - Arcadia Commons Campus Phase II	11/1/2001	10/31/2036	993,000
Northern Michigan University - West Science Building Remodeling (Phase II)	11/1/2001	10/31/2036	1,290,000
Saginaw Valley State University - Classroom Facility	11/1/2001	10/31/2036	1,662,000
University of Michigan - Dearborn - General Campus Classroom Renovations (Phase III) - College of Arts, Sciences & Letters	11/1/2001	10/31/2036	1,981,000
University of Michigan - Dearborn - General Campus Classroom Renovations (Phase III) - Environmental Interpretive Center	11/1/2001	10/31/2036	270,000
Central Michigan University Park Library Addition and Remodeling	4/1/2002	3/31/2037	3,320,000
Grand Rapids Community College Main Building Renovation	4/1/2002	3/31/2037	265,000
Michigan State University Bio-Physical Sciences Building	4/1/2002	3/31/2037	6,180,000

⁽¹⁾ Rentals under certain Leases may, while any Master Indenture Bonds are outstanding, be released from the lien of the Master Indenture, under the conditions described in "SUMMARY OF MASTER INDENTURE – Release of Pledge."

<u>Facility</u>	<u>Date of Lease</u>	<u>Expiration Date</u>	<u>Annual Rental</u>
University of Michigan – Flint Professional Studies and Classroom Building	4/1/2002	3/31/2037	\$2,300,000
Charles Stewart Mott Community College Regional Technology Center	9/1/2002	8/31/2037	1,480,000
Washtenaw Community College Technology Education Building	9/1/2002	8/31/2037	930,000
Wayne State University Pharmacy Building Replacement	9/1/2002	8/31/2037	4,270,000
Department of Management and Budget Secondary Complex Warehouse	12/1/2002	11/30/2037	3,990,000
Henry Ford Community College Instructional Classroom	12/1/2002	11/30/2037	435,000
Oakland University School of Education and Human Service Building	12/1/2002	11/30/2037	2,095,000
State Judiciary-Hall of Justice	12/1/2002	11/30/2037	7,780,000
Wayne State University Welcome Center	12/1/2002	11/30/2037	1,230,000
Kellogg Community College Computer Technology Center	11/1/2003	10/31/2038	520,000
Lake Michigan College Van Buren Center	11/1/2003	10/31/2038	340,000
Northwestern Michigan College Integrated Science and Technology Learning Center	11/1/2003	10/31/2038	610,000
Schoolcraft College Business and Industry Training Center and Waterman Center Renovation	11/1/2003	10/31/2038	1,160,000
Southwestern Michigan College Instructional Resource Center	11/1/2003	10/31/2038	110,000
University of Michigan – Ann Arbor Central Campus Renovation Phase II Perry Building	11/1/2003	10/31/2038	780,000
University of Michigan – Ann Arbor S.T. Dana Building – School of Natural Resources and Environmental Phase II Renovation Project	11/1/2003	10/31/2038	975,000
Community College District of Monroe County Instructional Center Business Training and Performing Arts Building	1/1/2005	12/31/2039	475,000
Delta College General Campus Renovations	1/1/2005	12/31/2039	1,410,000
Department of Natural Resources-State Fish Hatchery Renovations Platte Project	1/1/2005	12/31/2039	650,000
Ferris State University Engineering and Tech Center	1/1/2005	12/31/2039	1,070,000
Lake Superior State University Arts Classroom Building	1/1/2005	12/31/2039	910,000
Northwestern Michigan College West Bay Reconstruction Project	1/1/2005	12/31/2039	645,000
Saginaw Valley State University Instructional Facility Number 4 and Library Renovations	1/1/2005	12/31/2039	2,375,000
University of Michigan Ann Arbor West Hall Renovation	1/1/2005	12/31/2039	730,000
University of Michigan-Dearborn Hubbard Drive Prof. Training and Educ. Building Acquisition	1/1/2005	12/31/2039	1,950,000

<u>Facility</u>	<u>Date of Lease</u>	<u>Expiration Date</u>	<u>Annual Rental</u>
University of Michigan-Dearborn University Mall Renovation	1/1/2005	12/31/2039	\$775,000
Washtenaw Community College Plumbers and Pipefitters Building	1/1/2005	12/31/2039	160,000
Western Michigan University Engineering and Applied Sciences Building	1/1/2005	12/31/2039	2,970,000
State Office Building Constitution Hall	10/1/2005	9/30/2040 ⁽²⁾	9,377,130
Central Michigan University Health Professions Facility	11/1/2005	10/31/2040	2,813,000
Dept of Community Health Center for Forensic Psychiatry	11/1/2005	10/31/2040	8,449,000
Michigan State University Animal Health and Diagnostic Lab	11/1/2005	10/31/2040	4,459,000
Michigan Technological University Center for Integrated Learning & Info Tech	11/1/2005	10/31/2040	1,922,000
Mid Michigan Community College Student Assessment Center	11/1/2005	10/31/2040	122,000
Northern Michigan University Fine and Practical Arts Project	11/1/2005	10/31/2040	1,224,000
Northern Michigan University Student Services Building	11/1/2005	10/31/2040	908,000
University of Michigan – Ann Arbor Mason and Haven Halls	11/1/2005	10/31/2040	2,018,000
Western Michigan University Health and Human Services	11/1/2005	10/31/2040	2,777,000
Glen Oaks Community College Applied Science	8/1/2007 ⁽³⁾	11/30/2042	123,000
Kinross Correctional Facility New Power Plant	8/1/2007 ⁽³⁾	11/30/2042	475,000
Saginaw Valley State University Pioneer Hall Renovations	8/1/2007 ⁽³⁾	11/30/2042	922,000
St. Clair Community College General Campus Renovations	8/1/2007 ⁽³⁾	11/30/2042	356,000
University of Michigan-Ann Arbor LS&A Building	8/1/2007 ⁽³⁾	11/30/2042	1,169,000
University of Michigan-Dearborn Engineering Bldg Renovation	8/1/2007 ⁽³⁾	11/30/2042	748,000
University of Michigan-Dearborn Science Bldg Renovation	8/1/2007 ⁽³⁾	11/30/2042	570,000
Bay de Noc Community College West Campus Facility	11/1/2007 ⁽³⁾	11/30/2042	456,000
Ferris State University Instructional Resource Center	11/1/2007 ⁽³⁾	11/30/2042	437,000
Grand Valley State University Padnos College of Engineering	11/1/2007 ⁽³⁾	11/30/2042	931,000
Alpena Community College Instructional Addition/Renovation	11/1/2008	10/31/2043	128,000
Jackson Community College Health Program Expansion and Information Commons	11/1/2008	10/31/2043	577,000

⁽²⁾ Though the lease indicates an aggregate lease term of 40 years, the actual lease term with the Authority is 35 years (commencing contemporaneously with a prior bond refinancing) and the rent schedule (Exhibit C to the lease) accordingly is for 35 years.

⁽³⁾ These Leases are dated August 1, 2007 or November 1, 2007, but rental commenced as of December 1, 2007.

<u>Facility</u>	<u>Date of Lease</u>	<u>Expiration Date</u>	<u>Annual Rental</u>
Macomb Community College Emergency Services Training Center	11/1/2008	10/31/2043	\$252,000
Macomb Community College Health Science and Technology Building	11/1/2008	10/31/2043	461,000
Michigan State University Chemistry Building Renovations/Cooling Towers	11/1/2008	10/31/2043	1,537,000
Mid Michigan Community College Science and Technology Center	11/1/2008	10/31/2043	633,000
Montcalm Community College Life Science Training Facility	11/1/2008	10/31/2043	231,000
Schoolcraft College Technical Services Facility	11/1/2008	10/31/2043	386,000
University of Michigan—Ann Arbor Observatory Lodge Renovations	11/1/2008	10/31/2043	601,000
West Shore Community College New Student Learning Center	11/1/2008	10/31/2043	304,000
Western Michigan University Brown Hall Renovations/Addition	11/1/2008	10/31/2043	730,000
Central Michigan University Education Building	12/1/2009	11/30/2044	2,967,000
Department of History, Arts and Libraries Warehouse Facility Acquisition	12/1/2009	11/30/2044	783,000
Muskegon Community College Student Services One-Stop Center	12/1/2009	11/30/2044	198,000
University of Michigan – Ann Arbor Phoenix Laboratory	12/1/2009	11/30/2044	509,000
University of Michigan – Ann Arbor Student Activities Building	12/1/2009	11/30/2044	455,000
University of Michigan – Flint French Hall Renovations	12/1/2009	11/30/2044	554,000
Wayne State University Engineering Development Center	12/1/2009	11/30/2044	1,187,000
Charles Stewart Mott Community College Library Consolidation and Renovations	7/1/2011	6/30/2046	323,000
Department of Technology, Management and Budget State Facility Preservation Projects-Phase III Group K Huron Valley Drop Ship Building and Sewage Pump Station	7/1/2011	6/30/2046	250,000
Ferris State University Center for Collaborative Health Education	7/1/2011	6/30/2046	1,596,000
Jackson Community College Whiting Hall Renovation	7/1/2011	6/30/2046	866,000
Kalamazoo Valley Community College Texas Township Campus Expansion	7/1/2011	6/30/2046	474,000
Michigan State Police State Police Headquarters	7/1/2011	6/30/2046	4,115,000
Saginaw Valley State University Health Sciences Facility	7/1/2011	6/30/2046	1,662,000
West Shore Community College Arts and Sciences Center/Remodeling and Additions	7/1/2011	6/30/2046	273,000

<u>Facility</u>	<u>Date of Lease</u>	<u>Expiration Date</u>	<u>Annual Rental</u>
Eastern Michigan University Pray-Harrold Expansion and Renovation	7/1/2013	6/30/2048	\$2,492,000
Ferris State University College of Pharmacy	7/1/2013	6/30/2048	522,000
Henry Ford Community College Science Building Improvements	7/1/2013	6/30/2048	593,000
Michigan Technological University Great Lakes Research Center	7/1/2013	6/30/2048	1,484,000
Monroe County Community College Technology Center	7/1/2013	6/30/2048	673,000
Montcalm Community College M-TEC Expansion	7/1/2013	6/30/2048	215,000
MSP Bay City State Police Post	7/1/2013	6/30/2048	293,000
Oakland University Human Health Building	7/1/2013	6/30/2048	3,165,000
Washtenaw Community College Skilled Trades Training Complex	7/1/2013	6/30/2048	586,000
Wayne County Community College Northwest Campus Replacement	7/1/2013	6/30/2048	1,462,000
Western Michigan University Sangren Hall Replacement	7/1/2013	6/30/2048	2,374,000
Alpena Community College Electrical Power Technology Education and Training Center Addition	8/1/2015	7/31/2050	197,000
Bay de Noc Community College Nursing Laboratory and Lecture Hall Remodeling	8/1/2015	7/31/2050	59,000
Community College District of Gogebic County Building Renovations	8/1/2015	7/31/2050	56,000
Delta College Health and Wellness F-Wing Renovations	8/1/2015	7/31/2050	711,000
Department of State Police Detroit Crime Lab	8/1/2015	7/31/2050	1,192,000
Department of Technology, Management and Budget State Facility Preservation Projects-Phase III Group Q - DNR Forest Fire Experiment Station Replacement	8/1/2015	7/31/2050	218,000
Department of Technology, Management and Budget State Facility Preservation Projects-Phases III and IV Group S - Mason Building Special Maintenance	8/1/2015	7/31/2035	1,548,000
Grand Rapids Community College Cook Academic Hall Renovations	8/1/2015	7/31/2050	384,000
Grand Valley State University Science Laboratory, Classroom and Office Building	8/1/2015	7/31/2050	2,374,000
Lansing Community College Arts and Sciences Building Renovations	8/1/2015	7/31/2050	757,000
Mid Michigan Community College Mount Pleasant Campus Unification	8/1/2015	7/31/2050	700,000
North Central Michigan College Health Education and Science Center Project	8/1/2015	7/31/2050	413,000
Northern Michigan University Jamrich Hall Replacement	8/1/2015	7/31/2050	1,982,000
Oakland University Engineering Center	8/1/2015	7/31/2050	2,374,000

<u>Facility</u>	<u>Date of Lease</u>	<u>Expiration Date</u>	<u>Annual Rental</u>
Wayne State University Multidisciplinary Bio-Medical Research Building	8/1/2015	7/31/2050	\$2,374,000
Department of Technology, Management and Budget State Facility Preservation Projects – Phase IV Group R Flint State Office Building Special Maintenance	8/1/2016	7/31/2036	1,175,000
Department of Technology, Management and Budget State Facility Preservation Projects-Phase IV Group T Department of Community Health Walter P. Reuther Psychiatric Hospital New Activity Building	8/1/2016	7/31/2051	528,000
Michigan State Police State Emergency Operations Center	8/1/2016	7/31/2051	1,341,000
Michigan State University Plant Science (Bioengineering) Facility	8/1/2016	7/31/2051	2,374,000
Saginaw Valley State University Wickes Hall Renovation	8/1/2016	7/31/2051	475,000
University of Michigan-Flint Murchie Science Lab	8/1/2016	7/31/2051	1,197,000
Kalamazoo Valley Community College Healthy Living Campus	8/1/2016	7/31/2051	475,000
Macomb Community College South Campus C-Building	8/1/2016	7/31/2051	336,000
Muskegon Community College Science Laboratory Center	8/1/2016	7/31/2051	368,000
Southwestern Michigan College Science and Allied Health	8/1/2016	7/31/2051	297,000
Central Michigan University Bio-Science Building	9/1/2017	8/31/2052	2,374,000
Jackson College Bert Walker Hall Renovations	9/1/2017	8/31/2052	601,000
Lake Superior State University School of Business Building	9/1/2017	8/31/2052	712,000
University of Michigan-Dearborn Science and Computer Information Services Building Renovations	9/1/2017	8/31/2052	2,374,000
University of Michigan-Ann Arbor G.G. Brown Memorial Laboratories Renovation	9/1/2017	8/31/2052	2,374,000
Delta College Saginaw Center	7/1/2019	6/30/2054	470,000
Eastern Michigan University Strong Hall Renovation	7/1/2019	6/30/2054	2,190,000
Ferris State University Swan Building Annex Renovations	7/1/2019	6/30/2054	1,662,000
Kellogg Community College Regional Manufacturing Technology Center	7/1/2019	6/30/2054	159,000
Kirtland Community College Michigan Forest Products Institute	7/1/2019	6/30/2054	225,000
Muskegon Community College Health and Wellness Center	7/1/2019	6/30/2054	416,000
Southwestern Michigan College Nursing and Health Education Building	7/1/2019	6/30/2054	295,000
Central Michigan University Center for Integrated Health Studies	9/1/2020	8/31/2055	1,440,000
Charles Stewart Mott Community College - Southern Lakes Branch Center Rehabilitation/Renovation	9/1/2020	8/31/2055	300,000

<u>Facility</u>	<u>Date of Lease</u>	<u>Expiration Date</u>	<u>Annual Rental</u>
Community College District of Monroe County Renovation of East and West Technology Buildings	9/1/2020	8/31/2055	\$277,000
DNR Coolwater Rearing Hatchery Improvements Project Little Manistee River Weir Reconstruction and Renovation	9/1/2020	8/31/2055	135,000
Lake Michigan College Napier Academic Building Renovation and Upgrade	9/1/2020	8/31/2055	626,000
Michigan State Capitol Commission State Capitol Restoration/Infrastructure Upgrade Project Infrastructure Upgrades	9/1/2020	8/31/2055	2,881,000
Northwestern Michigan College West Hall Innovation Center Renovation and Expansion	9/1/2020	8/31/2055	532,000
Saginaw Valley State University College of Business and Management Expansion	9/1/2020	8/31/2055	724,000
St. Clair County Community College Health Sciences AJ Theisen Building Renovation	9/1/2020	8/31/2055	362,000
West Shore Community College Technical Center Renovation and Addition	9/1/2020	8/31/2055	159,000
Department of Military and Veterans Affairs Grand Rapids Veterans Home	7/1/2021	6/30/2056	1,392,000
Department of Natural Resources Coolwater Rearing Hatchery Improvements	7/1/2021	6/30/2056	714,000
Department of State Police Grand Rapids Consolidation: Forensic Laboratory	7/1/2021	6/30/2056	2,394,000
Department of State Police Grand Rapids Consolidation: 6 th District Headquarters and Rockford Post	7/1/2021	6/30/2056	1,480,000
Grand Rapids Community College Applied Technology Center Renovation and Expansion	7/1/2021	6/30/2056	437,000
Grand Valley State University Health and Medical Sciences Laboratory and Classroom Building (Robert C. Pew Grand Rapids Campus)	7/1/2021	6/30/2056	1,989,000
Michigan State University STEM Teaching and Learning Facility	7/1/2021	6/30/2056	2,048,000
University of Michigan-Dearborn Engineering Laboratory Building Replacement	7/1/2021	6/30/2056	2,057,000
University of Michigan-Flint Murchie Science Building Expansion	7/1/2021	6/30/2056	2,006,000
Wayne State University STEM Innovation and Learning Center	7/1/2021	6/30/2056	1,011,000
Alpena Community College Center for Health Sciences & Student Success	8/1/2022	7/31/2057	230,000
Delta College Electronic Media Broadcasting – A Wing Renovations	8/1/2022	7/31/2057	96,000

<u>Facility</u>	<u>Date of Lease</u>	<u>Expiration Date</u>	<u>Annual Rental</u>
Department of Military and Veterans Affairs Chesterfield Veterans Home	8/1/2022	7/31/2057	\$1,994,000
Lake Superior State University Center for Freshwater Research and Education	8/1/2022	7/31/2057	607,000
Michigan State Capitol Commission State Capitol Restoration/Infrastructure Upgrade Project Heritage Hall	8/1/2022	7/31/2057	2,743,000
Michigan State Capitol Commission State Capitol Restoration/Infrastructure Upgrade Project Central Utility Plant and Geothermal System	8/1/2022	7/31/2057	2,126,000
North Central Michigan College AD/CL Classroom Renovation and Expanded Learning Space	8/1/2022	7/31/2057	233,000
Schoolcraft College Applied Science Renovation and Expansion	8/1/2022	7/31/2057	686,000
University of Michigan-Ann Arbor School of Dentistry Renovation and Addition	8/1/2022	7/31/2057	2,057,000
Department of Health and Human Services Caro Center Replacement – New Psychiatric Hospital (Administration)	7/1/2023	6/30/2058	2,024,000
Department of Health and Human Services Caro Center Replacement – New Psychiatric Hospital (Patient)	7/1/2023	6/30/2058	4,253,000
Ferris State University Center for Virtual Learning	7/1/2023	6/30/2058	1,634,000
Glen Oaks Community College Campus Renovation	7/1/2023	6/30/2058	257,000
Henry Ford College Entrepreneur and Innovation Institute/Technology Building ^{(4)*}	7/1/2024	6/30/2059	477,000
Michigan Technological University H-STEM Engineering and Health Technology Complex Phase I ⁽⁴⁾	7/1/2024	6/30/2059	2,115,000
Northern Michigan University Career Tech and Engineering Technology Facility ⁽⁴⁾	7/1/2024	6/30/2059	1,424,000
Macomb Community College Skilled Trades and Advanced Technology Center ⁽⁵⁾	7/1/2024	6/30/2059	1,057,000
Western Michigan University IF-1 Dunbar Hall Renovation ⁽⁵⁾	7/1/2024	6/30/2059	2,136,000

(4) Leases entered into in connection with the issuance of the 2024I Bonds.

(5) Leases entered into in connection with the issuance of the 2024II Bonds.

* Preliminary, subject to change.

Verification of Lease Rental Sufficiency

On or prior to the date of delivery of the 2024II Bonds, Robert Thomas CPA, LLC independent certified public accountants, will deliver a report attesting to the mathematical accuracy of the computations contained in the schedules prepared by the Underwriters on behalf of the Authority relating to the sufficiency of the anticipated cash flow from the Rentals under the Leases to pay the principal of the Master Indenture Bonds on their payment dates (whether at maturity or through mandatory redemption) and the interest on the Master Indenture Bonds on their payment dates.

Factors Affecting State Rental Obligation and Insurance Provisions

Although the Authority believes that the Rentals, together with other revenues contemplated by the Master Indenture, will provide adequate amounts to pay debt service on the Master Indenture Bonds, the occurrence of certain events could adversely affect the requirement to pay Rentals under the Leases and the adequacy of amounts to pay debt service. No assurance can be given that under all circumstances the Rentals and other revenues to be realized by the Authority will be sufficient to pay such debt service.

THE OBLIGATIONS OF THE STATE AND EACH RESPECTIVE EDUCATIONAL INSTITUTION, IF ANY, UNDER THE LEASES, INCLUDING THE STATE'S OBLIGATION TO PAY THE RENTALS, MAY BE SUSPENDED FOR ANY PERIOD DURING WHICH A FACILITY COVERED BY THE RELATED LEASE IS UNTENANTABLE OR PARTIALLY UNTENANTABLE AS A RESULT OF A CASUALTY, ENVIRONMENTAL CONTAMINATION OR OTHERWISE BUT MAY NOT BE SUSPENDED WHERE A FACILITY BECOMES UNTENANTABLE AS A RESULT OF ANY ACT OR OMISSION ON THE PART OF THE STATE OR THE EDUCATIONAL INSTITUTION NOR WILL SUCH OBLIGATIONS BE SUSPENDED BECAUSE A FACILITY MAY NOT BE SUITABLE OR USED FOR ITS INTENDED PURPOSE.

Each Lease requires the State or the Educational Institution using the Facility, at its expense, to carry insurance described under the heading "SUMMARY OF THE LEASES – Operation and Maintenance of Facilities and Insurance." If a Facility is permanently destroyed or damaged (other than as a result of any action or omission on the part of the State or the Educational Institution using the Facility, in which case the Lease obligates the State or the Educational Institution to repair and replace the Facility with no abatement of Rentals with respect to that Facility) and the Authority demonstrates within 180 days of the date of destruction or damage that there are sufficient funds available to replace the Facility within the period for which rental value insurance is then in force, the Lease permits the Facility to be repaired or replaced by the State or the Educational Institution but only if the estimated "true rental" after such repair and replacement shall not be less than the Rentals prior to such destruction, and if it is determined that through rental insurance or otherwise there will be adequate funds to offset the loss of Rentals during the period that the Rentals may be suspended because of such destruction. If a Facility is completely untenable and is not to be repaired or replaced, the Rentals with respect to that Facility shall cease and all insurance proceeds, including self-insurance or self-retention, shall be used to retire the Master Indenture Bonds as provided in the Master Indenture. In addition, it is possible that reconstruction may be slower than anticipated by the Authority or, if no reconstruction is attempted, that insurance coverage, including self-insurance or self-retention, might not be adequate to provide for redemption of a large enough portion of the Master Indenture Bonds or that the insurance carrier might not be able to pay claims, or might delay the payment of any claims, thus resulting in no funds or inadequate funds to timely pay the Master Indenture Bonds. If a Facility is partially untenable and is not repaired or replaced, the Rentals with respect to that Facility may be decreased as the result of a new appraisal. The State's or any Educational Institution's obligations with respect to any claims against which it has elected to self-retain or self-insure are subject to the availability of lawfully appropriated funds.

Each Lease permits the State or the Educational Institution using the Facility to insure each Facility through blanket insurance policies or through self-insurance with certain conditions. See "SUMMARY OF THE LEASES – Operation and Maintenance of Facilities and Insurance."

The State or each Educational Institution, as the case may be, using a Facility has delivered a title insurance policy in an amount not less than the estimated cost of the related Facility in order to provide funds which would be available for the purpose of obtaining clear title for the Facility or, in the alternative, for payment of the Master Indenture Bonds in the event a Facility becomes untenable because of a defect in the title of the Authority to the Site of that Facility. While the Authority expects

that such title insurance should provide adequate protection against a defect in title, the amount realized from any such policy of title insurance may not be sufficient for such purpose.

Remedies

Certain remedies are available to enforce payment by the State of the Rentals and performance by the State, the respective Educational Institution, if any, and the Authority of the other obligations under each Lease and the Master Indenture. A money judgment against the State for the Rentals may be obtained by means of an action brought by the Authority or the Trustee under a Lease in the State Court of Claims. A statutorily created court of limited jurisdiction, the Court of Claims possesses exclusive jurisdiction over suits and claims of a contractual nature for money against the State or any of its departments or agencies. The Court of Claims Act sets forth the manner in which judgments against the State are satisfied and provides in part that judgments shall be paid from an appropriation made by the Legislature. There is no assurance that the State would make such appropriation. The State possesses the power, through appropriate legislation, to abolish the Court of Claims. In addition, owners of the Master Indenture Bonds may file suit to compel the Authority, the respective Educational Institutions or the State, as appropriate, to perform in accordance with the terms of the related Lease, the Master Indenture, Act 183, or the Master Indenture Bonds by means of an action in the nature of mandamus. Under the State Constitution, statutes, and court rules, a writ of mandamus may be procured from a State court of competent jurisdiction to order appropriate officials to perform their legal duties.

Because of certain provisions of the United States Constitution and the amendments to it, the ability of owners of the Master Indenture Bonds to sue the Authority, the Educational Institutions or the State, as appropriate, to compel payment of moneys and performance of duties under the Master Indenture Bonds, Act 183, the Leases, and the Master Indenture may depend (as it may even in the case of direct general obligations of the State) upon the consent of the Authority, the Educational Institutions or the State, as appropriate, to such action, which consent, to the extent that it now exists, may be withdrawn by the State by appropriate legislation.

In addition, the rights or remedies of the owners of the Master Indenture Bonds against the State, the Educational Institutions or the Authority, as appropriate, may be affected by bankruptcy, insolvency, fraudulent conveyance or other laws affecting creditors' rights generally, and by the application of general principles of equity including those relating to equitable subordination, now existing or later enacted.

Debt Service Reserve Fund

The Debt Service Reserve Fund established pursuant to the Master Indenture will be available to pay principal of and interest on the Master Indenture Bonds on a parity basis. The amount required to be maintained in the Debt Service Reserve Fund is the Debt Service Reserve Fund Requirement, which amount can be reduced or eliminated if certain conditions are met. See "SUMMARY OF THE MASTER INDENTURE – Debt Service Reserve Fund Requirement." Moneys held in the Debt Service Reserve Fund will be invested and reinvested by the applicable Trustee to the extent authorized by law at the time of such investment, as described under the heading "SUMMARY OF THE MASTER INDENTURE – Investments" herein. The Debt Service Reserve Fund established pursuant to the Master Indenture is currently invested in the First American Government Obligation Money Market Fund, Class Y, which invests exclusively in high quality U.S. government securities and repurchase agreements collateralized at more than 100%.

A Debt Service Reserve Fund Variable Rate Subaccount (the "**Debt Service Reserve Fund Variable Rate Subaccount**") has been created within the Debt Service Reserve Fund. It is the intent and

expectation of the Authority to draw from the funds on hand within the Debt Service Reserve Fund Variable Rate Subaccount to pay interest on and maturing principal of the 2024I Bonds and other Bonds of the Authority which are Variable Rate Bonds (as defined in the Master Indenture) that are not secured by a credit facility, to the extent other available funds are not available in the Bond Service Account for such payments when the interest rate on such Variable Rate Bonds exceeds 6%; provided that the funds on hand in the Debt Service Reserve Fund Variable Rate Subaccount shall constitute common security with all other funds on hand in the Debt Service Reserve Fund in the event those funds are necessary to pay interest on or principal of any Bonds issued under the Indenture. The funds on hand in the Debt Service Reserve Fund Variable Rate Subaccount, together with all other funds in the Debt Service Reserve Fund, shall not exceed the Debt Service Reserve Fund Requirement. The Debt Service Reserve Fund Variable Rate Subaccount is security for Outstanding Master Indenture Bonds.

Additional Bonds

The Authority may issue Additional Bonds on a parity as to security with the then Outstanding Master Indenture Bonds for the purposes of making additions and improvements to a Facility, paying any additional Cost of the Facilities (as defined in the Master Indenture) related to Additional Facilities, or refunding, in whole or in part, any of the Master Indenture Bonds or any other bonds or obligations which have been issued by the Authority, paying the cost of issuing the Additional Bonds and providing interest during construction of Additional Facilities or Improvements to the Facilities, upon compliance with certain terms and conditions for such issuance set forth in the Master Indenture. Such conditions include, among others, the requirement that the Rentals from the related Lease and any amendments to such Lease, together with other available revenues, when added to the Rentals for the other Facilities will be equal to or greater than the annual debt service requirements (including mandatory redemptions) on the Outstanding Master Indenture Bonds and all Additional Bonds issued under the Master Indenture and, in connection with Additional Bonds issued under the Master Indenture as Variable Rate Bonds, written confirmation from each rating agency who maintains a rating on the Master Indenture Bonds, that such issuance will not, in and of itself, result in a reduction, withdrawal or suspension of the rating then in effect.

SUMMARY OF THE LEASES

Each Lease is between the Authority and the State, or among the Authority, the State and an Educational Institution. The following is a summary of certain provisions of the Leases. Words and terms used in this summary which are defined in the Leases or the Master Indenture shall have the same meanings as in the Leases or the Master Indenture.

Ownership of the Facilities and the Acquisition Fund

The Authority is the owner of each of the Facilities.

The Master Indenture establishes an Acquisition Fund, and each Lease provides for payments to be made from the Acquisition Fund upon furnishing of requisitions stating with respect to each payment as follows: (a) the certificate of requisition number, (b) the name and address of the person, firm or corporation to whom payment is due, (c) a description of the Cost of the Facility covered by such certificate of requisition and a statement that the payment is being made for a cost or expense properly chargeable to the Acquisition Fund, (d) the amount to be paid, (e) that each obligation mentioned in it is a proper charge against the Acquisition Fund, and has not been the basis of any previous payment, (f) that the cost to the State or to the respective Educational Institution of the portion of the Facility covered by such certificate of requisition is not less than the amount to be paid to the State or to the respective Educational Institution under it, (g) that all bills of sale necessary to vest title to the portion of the Facility

covered by such certificate of requisition in the Authority have been executed and delivered or assigned by the State or by the respective Educational Institution to the Authority, (h) that neither the State nor the respective Educational Institution, if any, is in default under the Lease and that nothing has occurred to the knowledge of the State or the respective Educational Institution, if any, which prevents the performance of the State's or the respective Educational Institution's obligations under the Lease, and (i) that after the payment of such requisition, the amount on deposit in the Acquisition Fund together with other moneys to be available will be sufficient to acquire the Facility. In addition, the State or the respective Educational Institution, if any, is to provide the Authority and the Trustee with a sworn statement and, if appropriate, a waiver of lien to the extent necessary and endorsements to the title insurance policy showing coverage by an amount not less than the moneys expended and an itemization of the Cost of the Facility in sufficient detail to evidence the incurring of such cost. Any moneys remaining in the applicable Acquisition Fund after Certificates of Occupancy have been issued for all of the Facilities shall be used to make up any deficiency in the Debt Service Reserve Fund under the Master Indenture and the remainder shall be deposited in the Redemption Fund.

Rentals

The Leases require annual aggregate Rentals in the amounts set forth in this Official Statement under the heading "SECURITY FOR AND SOURCES OF PAYMENT OF THE 2024II BONDS – Pledge of Rentals from the Leases." The Rentals for each Facility are payable in monthly installments, in advance, on the first day of each month. If for any reason, other than because of an action or omission of the State or the respective Educational Institution, if any, or any of their respective agents or employees, a Facility or a portion of a Facility becomes untenable, no Rentals are to be paid for the Facility or portion of a Facility which is untenable during the period of such untenability. See "SECURITY FOR AND SOURCES OF PAYMENT OF THE 2024II BONDS – Factors Affecting State Rental Obligation and Insurance Provisions."

Operation and Maintenance of Facilities and Insurance

All costs and expenses of operation and maintenance of a Facility are to be paid by the State or by the Educational Institution using the Facility.

The State or the Educational Institution using a Facility is required at its expense to keep each Facility insured during the term of the related Lease against the following risks and with the following coverage, but only to the extent that such insurance is reasonably available in the insurance markets of the United States:

(a) "All Risk" building insurance, including extended coverage, vandalism and malicious mischief, and sprinkler damage in an amount equal to 100% of the full replacement cost of the Facility (instead of "All Risk" insurance, some Leases require insurance for loss or damage by fire or other perils covered by the broadest form of extended coverage insurance generally available from authorized insurers, in an amount equal to 100% of the full replacement cost of the Facility);

(b) Loss or damage from explosion of steam boilers, pressure vessels or similar apparatus, now or later installed in the Facility, in an amount customary to be carried in buildings of character and purpose similar to the Facility;

(c) Loss of rental, under a rental value insurance policy, resulting from any of the hazards described in subparagraphs (a) and (b) in an amount not less than 300% of the then full annual rental income fixed by the Lease, including all Rentals agreed to be paid by the State or such greater or lesser amount as shall be necessary to assure rental payments during the reconstruction period; and

(d) Commercial General Liability for combined property damage and bodily injury with limits of not less than \$1,000,000 per occurrence and \$2,000,000 in the aggregate per location.

Some of the Leases require additional insurance for a Facility and some of the Leases allow certain deductibles in amounts not exceeding \$50,000.

All insurance policies shall be issued by insurers fully qualified under the laws of the State to provide that form of insurance in the State. Each policy shall include as named insureds the Authority, the State, the applicable Educational Institution, if any (and, as provided in the Leases, their respective trustees, agents and employees), and the Trustee as their interests may appear. All casualty loss proceeds shall be payable to the Authority, and used as described below. See “SUMMARY OF THE LEASES – Destruction of the Facilities.” All rental value insurance proceeds shall be payable to the Authority and applied as provided in the Master Indenture. See the heading “SUMMARY OF THE MASTER INDENTURE – Certain Covenants – *Insurance and Disposition of Insurance Proceeds.*” All policies shall contain a provision that they may not be canceled, non-renewed or substantially reduced as to coverage without 30 days prior written notice to the Authority, the Trustee, the Educational Institution and the State. The policies of insurance described in subparagraph (a), (b) and (d) of the preceding paragraph may contain additional deductible and coinsurance features, but only if the State or the Educational Institution, if any, has set aside in a separate fund an amount sufficient to pay the amount required under any such coinsurance or deductible feature in the full amount or has otherwise provided for the payment of such amounts in a manner satisfactory to the Authority. Insurance in the amounts, with the coverage and other features, described in each Lease may be supplied through blanket insurance policies covering other properties of the State or the Educational Institutions; provided that such blanket insurance will provide the full coverage required for the Facility and at the same time provide full coverage for all other buildings and facilities covered by such blanket insurance policies. Insurance in the amounts, with the coverage and other features, required by the Lease may be supplied by a fully funded self-insurance program of the State or an Educational Institution or a self-insurance pool in which the State or an Educational Institution is a participant; provided that such self-insurance program or pool will provide full coverage for the Facility.

Destruction of the Facilities

Each Lease provides that in the event of total or partial destruction of the related Facility during the term of each Lease, if such occurs as a result of any action or omission on the part of the State or the Educational Institution, as applicable, or any of their respective agents or employees, whether negligent or otherwise, whichever is at fault will, at its sole expense, repair and replace the Facility to the satisfaction of the Authority and there will be no abatement of Rentals. If such destruction occurs for other causes and the Authority demonstrates within 180 days from the occurrence that there are sufficient funds available to repair or replace the Facility within the period for which rental value insurance is actually then in force, the Facility may be repaired or replaced by the State or the Educational Institution, but only if the estimated “true rental” after such repair or replacement shall be not less than the amount of the Rentals prior to such destruction and it is estimated that through rental value insurance or otherwise there will be adequate funds to offset the loss of Rentals during the period that the Rentals may be suspended or reduced because of such destruction. If the Facility is repaired or replaced, the Authority shall pay to the State or to the Educational Institution, as applicable, the cost of repair or replacement and the Rentals shall be adjusted by mutual agreement according to the extent and time of the loss of the use of the Facility by the State or by the Educational Institution, as applicable. If the Facility is not to be repaired or replaced, or if the repair or replacement does not exhaust the amount of insurance proceeds received, such insurance proceeds shall be applied as provided in the Master Indenture to retire or defease a portion of the 2024II Bonds secured under the Master Indenture. If the Facility is partially destroyed, but the remaining portion is usable by the State or by the applicable Educational Institution, then the Rentals with

respect to that Facility shall be reduced, as necessary, as determined by an appraisal in accordance with Act 183.

Improvements to the Facilities

Each Lease permits Improvements to the related Facility to be made by the State or by the respective Educational Institution, as applicable, from its funds, provided that all Improvements constituting real property shall become the property of the Authority and subject to the related Lease.

Each Lease also provides that, at the request of the State or the respective Educational Institution, as applicable, the Authority may, but is not required to, acquire or construct Improvements to the related Facility, in which case the related Lease shall be supplemented to increase the Rentals after an appraisal in accordance with Act 183.

Defaults and Remedies

Events of Default under each Lease are (a) failure to pay the Rentals at the times specified and (b) failure by the State or the respective Educational Institution, as applicable, to observe and perform any other obligation under the Lease for a period of 30 days after written notice specifying such failure and requesting that it be remedied, provided that if the default is such that it cannot be totally remedied within such period it shall not be an Event of Default if corrective action is commenced within such period and diligently pursued until the default is corrected. The Authority and the Trustee under the Master Indenture are granted such remedies for Events of Default as are provided by Act 183 and other provisions of law. None of the Leases provides for acceleration of the Rentals with respect to that Facility upon the occurrence of an Event of Default. See “SECURITY FOR AND SOURCES OF PAYMENT OF THE 2024II BONDS – Factors Affecting State Rental Obligation and Insurance Provisions.”

Title

The State or the Educational Institution using a Facility has the option to purchase the related Facility for one dollar (in addition to the State’s or the Educational Institution’s assumption of all monetary obligations and legal responsibilities for the operation and maintenance of the Facility), after the 2024II Bonds outstanding under the Master Indenture and any additional obligations of the Authority, which pledge for their repayment the respective Rentals, are paid in full or provision for the payment of the same is made as provided in the Master Indenture.

Construction of Leases

Each Lease provides that if any provision in it is held by a court of competent jurisdiction to cause the Lease to constitute State indebtedness in violation of State constitutional debt limitations, then, subject to a right of appeal, such provisions shall be deemed invalid.

SUMMARY OF THE MASTER INDENTURE

The following summary of certain provisions of the Master Indenture does not purport to be complete and is qualified by reference to the full Master Indenture. All capitalized terms used in this summary but not defined in this Official Statement have the same meanings as in the Master Indenture. The Master Indenture Bonds, including the 2024II Bonds, are parity obligations under the Master Indenture.

Security

The Master Indenture provides that the Master Indenture Bonds are secured, on a parity basis, by a first pledge of (a) the Rentals and all other revenues derived by the Authority pursuant to the Leases, (b) all amounts in the Acquisition Fund, the Revenue Fund and the Bond Payment Fund created pursuant to the provisions of the Master Indenture, (c) all amounts, if any, in the Debt Service Reserve Fund and the Redemption Fund, and (d) the net proceeds of insurance (including any payments received as a result of self-insurance or self-retention) payable to the Authority on account of damage to, destruction of or loss of use and occupancy of a Facility or any portion of a Facility. Funds in the Rebate Fund are not pledged. The pledges are further described in the Master Indenture.

Release of Pledge

The pledge of the Rental payable under any Lease may be released from the lien of the Master Indenture (the “**Released Security**”) if the following conditions have been satisfied: (a) the Executive Director has certified that after the release of the Released Security (i) the Rentals remaining to be paid and other Revenues to be deposited into the Revenue Fund will be sufficient to satisfy when due the Principal and Interest Requirements on the Outstanding Master Indenture Bonds and (ii) each of the Facilities for which Rentals will continue to be collected and pledged for the payment of Outstanding Master Indenture Bonds is as of the date of the certificate tenable and that each Lease with respect to those Facilities is at such date in full force and effect and that no event of default under any such Lease exists as of the date of the certificate; (b) the certification of the Executive Director has been verified by a certified public accountant; (c) the Executive Director has requested in writing that the Trustee release the Released Security from the lien of the Master Indenture; and (d) the Authority has obtained a Rating Confirmation in connection with the release of the Released Security.

Acquisition Fund

The Master Indenture establishes an Acquisition Fund and provides that the proceeds of the Master Indenture Bonds, after payment of bond insurance premiums, if any, and deposits are made to the credit of an Escrow Fund under an Escrow Agreement, Bond Service Account, Debt Service Reserve Fund (if any) and Rebate Fund (if any), are to be deposited in the Acquisition Fund. Moneys in the Acquisition Fund from proceeds of the Master Indenture Bonds and other available funds are to be used to pay the Cost of the Facilities, subject to certain requisition requirements and to pay costs of issuing the Master Indenture Bonds. Any moneys remaining in the Acquisition Fund after completion of the acquisition, construction and equipping of the Facilities or Improvements to the Facilities shall be used to make up any deficiency in the Debt Service Reserve Fund (if any), and the remainder deposited in the Redemption Fund.

Debt Service Reserve Fund Requirement

The Master Indenture provides that the Debt Service Reserve Fund Requirement for the Master Indenture Bonds shall be (i) an amount equal to the lesser of (a) 31.25% of the average annual Principal and Interest Requirement for the Master Indenture Bonds, (b) 2.5% of the issue price of the Master Indenture Bonds or (c) 25% of the Maximum Annual Principal and Interest Requirement for the Master Indenture Bonds or (ii) such lower or higher amounts as the Authority may specify in a Sales Resolution or supplemental indenture, provided that the Authority shall first obtain a Rating Confirmation for any reduction of, and a Favorable Opinion of Bond Counsel and the Attorney General for any increase to, the Debt Service Reserve Fund Requirement.

As of July 18, 2013, the Master Indenture was supplemented to provide that the Debt Service Reserve Fund Requirement shall not exceed \$36,770,495.

In 2023, pursuant to terms of the Master Indenture, the Master Indenture was further supplemented to provide that, as of August 2, 2023, the Debt Service Reserve Fund Requirement shall mean (i) the lesser of (a) 31.25% of the average annual Principal and Interest Requirements for the Bonds, (b) 2.5% of the issue price of the Bonds or (c) 25% of the Maximum Annual Principal and Interest Requirement for the Bonds, but shall not exceed (ii) (A) as of August 2, 2023, \$19,042,135, (B) as of October 15, 2023, the sum of (a) \$19,042,135 plus (b) an amount equal to two percent (2%) of the par amount of Variable Rate Bonds outstanding without a credit facility, (C) as of April 15, 2024 the sum of (a) \$19,042,135 plus (b) an amount equal to four percent (4%) of the par amount of Variable Rate Bonds outstanding without a credit facility, and (D) as of October 15, 2024 the sum of (a) \$19,042,135 plus (b) an amount equal to six percent (6%) of the par amount of Variable Rate Bonds (as defined in the Master Indenture) outstanding without a credit facility. Accordingly, no further contributions to the Debt Service Reserve Fund shall be required in connection with the issuance of the 2024II Bonds.

Flow of Funds

The Master Indenture provides for the establishment with the Trustee for the Master Indenture Bonds of a Revenue Fund into which the Rentals from each Lease are to be deposited, and a Bond Payment Fund. In addition, the Master Indenture provides for the establishment with the Trustee of a Rebate Fund, a Redemption Fund and a Debt Service Reserve Fund for the Master Indenture Bonds.

After payment of related costs of the Trustee, the Master Indenture requires the Trustee to withdraw from the Revenue Fund when needed (and in any event, no less frequently than annually) and transfer to the credit of the Bond Service Account an amount necessary to make the payments of principal and interest on the Master Indenture Bonds when due and the redemption price when due on all Master Indenture Bonds subject to redemption except special sinking fund redemption.

The Master Indenture next requires transfers from the Revenue Fund, when needed, to the credit of the Bond Service Account or the Debt Service Reserve Fund in that order, of the amount necessary to make up any deficiency in previous payments or any deficiency or loss not previously made up or to make the amount on deposit in the Debt Service Reserve Fund equal to the Debt Service Reserve Fund Requirement. Moneys in the Debt Service Reserve Fund, if any, shall only be used to pay debt service on the Master Indenture Bonds when moneys in the Bond Service Account are not sufficient for those purposes.

The Master Indenture next permits transfers from the Revenue Fund, when needed, for the payment of charges for audits, costs of amendments to the Leases or supplements to the Master Indenture and other related administrative costs of the Authority. The Authority is expected to draw on a biannual basis from the funds on hand in the Revenue Account to pay its administrative costs pursuant to Section 504(c) of the Master Indenture after the biannual debt service payments and other deposits are made as required under Section 504(a) and Section 504(b) of the Master Indenture.

Finally, the Master Indenture requires all moneys remaining in the Revenue Fund after the transfers described above to be credited to the Redemption Fund.

Moneys in the Redemption Fund are to be transferred first to the Bond Service Account to make up any deficiency and second to the Debt Service Reserve Fund to make up any deficiencies. Moneys in the Redemption Fund are next to be applied by the Trustee (i) for the payment of principal of and interest on the Master Indenture Bonds in connection with an optional or special sinking fund redemption of

Master Indenture Bonds (other than an optional redemption to be paid from the Bond Service Account) pursuant to the terms of the Master Indenture if the requisite notice required by the Master Indenture has been given, or (ii) for the purchase of Master Indenture Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, if any) as may be directed by the Authority, so long as the purchase price (exclusive of accrued interest) does not exceed the principal of and interest on the Master Indenture Bonds (or if such Bonds are not then subject to redemption, the par value of such Bonds) and provided that notice has not been given pursuant to the terms of the Master Indenture.

On a date in each Bond Year no later than August 31 nor earlier than August 15, the Trustee shall determine the amount in the Redemption Fund that is expected to be available for special sinking fund redemption, taking into account the amount, if any, in the Revenue Fund that is available for transfer to the Redemption Fund and the amount in the Redemption Fund, if any, that will be available after such transfer to pay the principal of and interest on the Master Indenture Bonds in connection with such special sinking fund redemption. The Trustee shall notify the Authority promptly of such amount, whereupon the Authority shall issue a written direction no later than September 10 to the Trustee to call such amount of Master Indenture Bonds for special sinking fund redemption.

Moneys in the Redemption Fund not otherwise expected to be used to pay the principal of or interest due on the Master Indenture Bonds may then be used at any time to purchase Master Indenture Bonds in lieu of calling Master Indenture Bonds for redemption prior to maturity or for optional premium redemption, provided, however, that no Master Indenture Bonds shall be purchased at a price in excess of the principal of and accrued interest on such Bonds to the date of such purchase, plus the amount of premium, if any, which would be payable for such Bonds called on the next available redemption date.

The Master Indenture provides that whenever the amount on deposit in the Debt Service Reserve Fund exceeds the Debt Service Reserve Fund Requirement, an amount equal to such excess shall be deposited in the Redemption Fund.

The Master Indenture also provides that in the event that the Authority shall operate any of the Facilities, then all amounts derived by the Authority from the Facilities so operated shall be paid to the Trustee for the credit of the Revenue Fund. Upon requisition by the Authority, the Trustee shall pay to the Authority, no more than once a month, from amounts on deposit in the Revenue Fund, all reasonable and proper expenses of operating and maintaining the Facilities being so operated, excluding depreciation and capital replacements.

Under certain circumstances insurance proceeds or other moneys may also be deposited first to the credit of the Debt Service Reserve Fund and then to the Redemption Fund to be applied to payment of principal of, redemption premiums, if any, and interest on the Master Indenture Bonds.

The Master Indenture requires that all investment earnings on the Redemption Fund, Debt Service Reserve Fund, Acquisition Fund, Bond Payment Fund and Revenue Fund for the Master Indenture Bonds be deposited in a Rebate Fund up to an amount equal to the sum of (a) the excess of the aggregate amount earned from the date of issue of the Master Indenture Bonds on all non-purpose investments in which gross proceeds allocated to the Master Indenture Bonds are invested subject to the rebate requirements over the amount that would have been earned if the yield on such non-purpose investments had been equal to the yield on the Master Indenture Bonds, plus (b) any income attributable to such excess, calculated in accordance with the requirements of the Internal Revenue Code of 1986 and any regulations proposed and promulgated under the Code (the “**Rebate Requirement**”). Yield reduction payments may also be deposited in the Rebate Fund. The Rebate Requirement or amounts to be paid for the purpose of reducing the yield on investments as permitted by the Internal Revenue Code of 1986 and regulations

proposed and promulgated under it shall be paid by the Trustee from funds on deposit in the Rebate Fund to the United States at such times and in such amounts as is required to comply with the requirements set forth in the Authority's Non-Arbitrage and Tax Compliance Certificate.

Additional Bonds

The Master Indenture permits issuance of Additional Bonds for the purpose of making additions and improvements to a Facility, paying the cost of any additional Cost of the Facilities related to Additional Facilities, refunding, in whole or in part, any of the Master Indenture Bonds or any other bonds or obligations which have been issued by the Authority, paying the cost of issuing the Additional Bonds and providing interest during construction of Additional Facilities or Improvements to the Facilities, upon compliance with certain terms and conditions for such issuance set forth in the Master Indenture. The issuance of Additional Bonds requires the approval of the Authority. Other requirements for the issuance of Additional Bonds are described in this Official Statement under the heading "SECURITY FOR AND SOURCES OF PAYMENT OF THE 2024II BONDS – Additional Bonds."

Investments

Moneys held in the Acquisition Fund and the Revenue Fund will be invested and reinvested by the Trustee, to the extent authorized by law at the time of such investment, in one or more of the following types of securities ("**Investment Obligations**"):

- (i) Government Obligations (as defined below);
- (ii) Any bonds or other obligations of any state of the United States of America or of any local governmental unit of any such state which (a) are rated in the highest rating category by Moody's Investors Service, Inc. and S&P Global Ratings, based on an escrow, (b) are not callable unless irrevocable instructions have been given to the trustee of such bonds to give due notice of redemption and to call such bonds for redemption on the date(s) specified in such instructions, and, (c) are secured by cash and/or Government Obligations;
- (iii) Bonds, debentures, or other evidences of indebtedness issued or guaranteed by the Federal Financing Bank, Federal Home Loan Bank, Export Import Bank, Federal National Mortgage Association or Government National Mortgage Association;
- (iv) Direct and general obligations of any state within the United States, to the payment of the principal of and interest on which the full faith and credit of such state is pledged, provided such obligations are rated in either of the two highest rating categories by Moody's Investors Service, Inc. and S&P Global Ratings;
- (v) Obligations of any state of the United States of America or any local governmental unit thereof which shall be rated in the highest rating category by Moody's Investors Service, Inc. and S&P Global Ratings;
- (vi) Certificates that evidence ownership of the right to payments of principal of or interest on obligations described in clause (i), provided that (a) such obligations shall be held in trust by a bank or trust company or a national banking association meeting the requirements for a successor Trustee under the Master Indenture; (b) the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying Government Obligations; and (c) the underlying Government Obligations are held in a special account separate from the custodian's general assets, and are not available to satisfy any claim of

the custodian, any person claiming through the custodian, or any person to whom the custodian may be obligated;

(vii) Certificates of deposit, whether negotiable or non-negotiable, and banker's acceptances of any bank in the United States whose deposits are insured by the Federal Deposit Insurance Corporation or its successor, or any savings and loan association in the United States whose deposits are insured by the Federal Deposit Insurance Corporation or its successor, provided that such certificate of deposit or banker's acceptance is from a bank or from a savings and loan association having a combined capital and surplus aggregating at least \$50 million and provided further that such certificate of deposit or banker's acceptance is secured by Government Obligations with a market value equal to the principal amount thereof over the amount guaranteed by the Federal Deposit Insurance Corporation or its successor;

(viii) Commercial paper rated at the date of investment in the highest rating category by Moody's Investors Service, Inc. and by S&P Global Ratings;

(ix) Any repurchase agreement which by its terms matures not later than six months from its date of execution with any bank or trust company organized under the laws of any state of the United States of America or any national banking association or government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York, which agreement is secured by securities described in clause (i) above which securities shall at all times have a market value (exclusive of accrued interest) as estimated by the Authority of not less than 102% of the full amount of the repurchase agreement, have dates of maturity not in excess of ten years and which are delivered to the Trustee or another bank or trust company organized under the laws of any state of the United States of America or any national banking association, as custodian, and the custodian must have a first lien on and retain possession of the collateral free and clear of all third party claims;

(x) Any money market fund or pooling arrangement which (i) exclusively purchases and holds Government Obligations or repurchase agreements secured by Government Obligations and (ii) is rated, at the time of purchase, in the highest rating category of Moody's Investors Services, Inc. and by S&P Global Ratings applicable to such funds or pooling arrangements; and

(xi) An Investment Agreement, which is any agreement for the investment of funds held under the terms of the Master Indenture for which the Authority has received a Rating Confirmation.

"Government Obligations" means (i) direct obligations of the United States of America (including obligations issued or held in book-entry form), (ii) obligations the timely payment of the principal of and interest on which are fully guaranteed by the United States of America, (iii) certificates which evidence ownership of the right to the payment of the principal of and interest on obligations described in clauses (i) and (ii), provided that such obligations are held in the custody of a bank or trust company satisfactory to the Trustee in a special account separate from the general assets of such custodian and (iv) municipal obligations the timely payment of the principal and interest on which is fully provided for by the deposit in trust or escrow of cash or obligations described in clause (i), (ii) or (iii); provided that such obligations are not subject to call by the obligor for redemption prior to maturity, have been called for redemption prior to maturity or, if subject to call by the obligor for redemption prior to maturity, such right to call the obligation for redemption prior to maturity has been waived; provided, however, Government Obligations shall not include any investment which is prohibited or not permitted by the Act.

Moneys held for the credit of the Bond Service Account in the Bond Payment Fund shall be invested and reinvested by the Trustee solely in investments of the type described in clauses (i), (ii), (iii), (v), (vi), (vii), (x) and (xi) in the preceding paragraph. Moneys held for the credit of the Debt Service Reserve Fund shall be invested and reinvested in Investment Obligations as described in clauses (i)-(xi) in the preceding paragraph. Moneys held for the credit of the Redemption Account of the Bond Payment Fund or held for the credit of the Redemption Fund shall, as nearly as may be practicable, be continuously invested and reinvested by the Trustee in investments of the type described in clauses (i) through (v), inclusive, (ix), (x) and (xi) in the preceding paragraph. Valuation of all funds and accounts shall occur semiannually.

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

Except for deposits required to be made to the Rebate Fund pursuant to the Master Indenture, until Certificates of Occupancy are issued for all of the Facilities, investment earnings from the Bond Service Account and the Acquisition Fund shall be credited to the Acquisition Fund. After the filing of Certificates of Occupancy for all of the Facilities, any investment earnings on the Bond Service Account shall be transferred as received first to the Debt Service Reserve Fund to make the amount on deposit in it equal to the Debt Service Reserve Fund Requirement and then to the Redemption Fund and any investment earnings on the Acquisition Fund not reserved for the payment of any remaining part of the Cost of the Facilities shall be deposited to the Debt Service Reserve Fund to make the amount on deposit in it equal to the Debt Service Reserve Fund Requirement and then to the Redemption Fund as the Authority shall direct from time to time as the remaining Cost of the Facilities are paid. Prior to the filing of Certificates of Occupancy with respect to all of the Facilities, investment earnings in the Debt Service Reserve Fund shall be credited to the Debt Service Reserve Fund. Upon filing of Certificates of Occupancy for all of the Facilities, all funds in the Debt Service Reserve Fund in excess of the Debt Service Reserve Fund Requirement shall be transferred to the Redemption Fund.

Certain Covenants

Certain of the covenants of the Authority contained in the Master Indenture are as follows:

Payment of Principal, Interest and Premium. The Authority will promptly pay, but only out of revenues and funds pledged by the Master Indenture, the principal of and the interest on the Master Indenture Bonds at the places, on the dates and in the manner provided, and any premium required for the retirement of the Master Indenture Bonds by purchase or redemption.

Insurance and Disposition of Insurance Proceeds. The Authority will require the State or each Educational Institution using a Facility in each case to purchase and maintain in effect insurance of the types, amounts and coverages, and with the provisions, required by each Lease (see “SUMMARY OF THE LEASES – Operation and Maintenance of Facilities and Insurance”) and, in case of the failure of the State or an Educational Institution, as applicable, to maintain such insurance, the Authority shall secure such insurance at the cost of the State or such Educational Institution and in the event the Authority fails to purchase such insurance, the Trustee, at the cost of the State or such Educational Institution shall secure such insurance, provided, however, the Trustee shall purchase such insurance only from funds held by it under the Master Indenture with such amounts to be reimbursed immediately by the State or such Educational Institution.

The proceeds of casualty insurance awards shall, at the option of the Authority, (i) be deposited in the Redemption Fund and be used to redeem or purchase Master Indenture Bonds on the first redemption date available, or sooner if by purchase or (ii) be used to defease the Master Indenture Bonds or a portion

of the Master Indenture Bonds in accordance with the Master Indenture; provided, however, that the State or an Educational Institution, as applicable, may agree to use the insurance proceeds to restore or replace a Facility, if the Authority can demonstrate that (a) the casualty insurance proceeds (together with any other funds legally available and deposited in the Acquisition Fund) are sufficient to rebuild, repair, restore or replace the Facility so that the Annual Rentals of the Facility or replacement when added to the Annual Rentals to be paid for the other Facilities, shall equal or exceed the Maximum Annual Principal and Interest Requirement on the Master Indenture Bonds, and (b) funds will be available from the proceeds of a rental value insurance policy required pursuant to the Lease, which, together with any other funds legally available and deposited in the Bond Payment Fund, will be sufficient to pay principal of, and interest and mandatory redemption requirements on the Outstanding Master Indenture Bonds coming due prior to the time the Rentals on the Facility are estimated to resume, if the payment of Rentals has been suspended. Insurance proceeds will then be deposited in the Acquisition Fund and paid out, or deposited with the State (or as otherwise agreed with the State or the Educational Institution, as applicable) as provided in each Lease. Proceeds of rental value insurance will be deposited in the Revenue Fund as received.

The Authority will apply the proceeds of title insurance on a Site to clear and obtain title to such Site. To the extent not so used or if the Authority, with the consent of the Trustee, determines that title cannot be cleared, the proceeds of title insurance shall at the option of the Authority (i) be deposited to the credit of the Redemption Fund and used to retire the Master Indenture Bonds on the next date that such Bonds may be redeemed or (ii) be used to defease the Master Indenture Bonds or any part of the Master Indenture Bonds in accordance with the provisions of the Master Indenture.

The proceeds of casualty insurance or title insurance may only be used by the Authority to defease a part of the Master Indenture Bonds as described above if the Annual Rental estimated to be paid after such partial defeasance shall be at least equal to the Maximum Annual Principal and Interest Requirement on the remaining Outstanding Master Indenture Bonds.

Revenues and Rents. The Authority will not use any of the Rentals, revenues or other moneys to be derived from any of the Facilities, or other properties pledged under the Master Indenture, for any purpose other than those provided for in the Master Indenture. The Authority will not enter into any contract or take any action inconsistent with the provisions of the Master Indenture or the Leases.

Audits and Reports. After the close of each fiscal year of the State, the Authority will cause an audit to be made of its books by the Auditor General of the State or an independent certified public accountant appointed by the Auditor General. Within the first five months of each fiscal year of the State, the audit of the Authority for the preceding fiscal year shall be filed with the Authority, the State Treasurer and the Director of the Department of Management and Budget of the State and copies shall be mailed by the Authority to the Municipal Finance Division of the State Treasury Department, any credit rating agency maintaining a credit rating on the Master Indenture Bonds and any Registered Owner requesting the same. Such audit report shall state whether the audit was made in accordance with generally accepted accounting standards and shall disclose any departures from generally accepted accounting principles and provisions of the Master Indenture and the Leases.

Performance of Leases. The Authority will faithfully perform each covenant, stipulation, obligation and agreement contained in each Lease or any subsequent lease or agreement which is to be performed by it and will cause, and diligently enforce, the performance by the State and the respective Educational Institution, as applicable, of each covenant, stipulation, obligation and agreement contained in the Lease or any subsequent lease or agreement which is to be performed by the State or the Educational Institutions, as applicable.

Sale, Lease, Mortgage. Except with respect to the Leases, the Authority will not sell, lease, mortgage, encumber or otherwise dispose of a Facility or any part of a Facility while there are Outstanding Master Indenture Bonds, except that the Authority may sell, lease, mortgage, encumber, or otherwise dispose of a Facility (a) in a manner which in the judgment of the Authority acting in good faith, and with the approval of the bond insurer, if any, is in the best interests of the Registered Owners of the Master Indenture Bonds if a Lease is terminated and such action is permitted by Act 183, (b) if the Rental for the part of the Facility not sold, leased, mortgaged, encumbered or otherwise disposed of is not less than the Rental for the Facility before giving effect to such sale, lease, mortgage, encumbrance or other disposition, (c) at the end of the Lease term for such Facility, or (d) the Authority receives sufficient moneys or Government Obligations, the principal of and interest on which, when due and payable, will provide sufficient moneys to pay all Rental due under the Lease for the remainder of the related Lease term.

Tax Exempt Status of the Master Indenture Bonds

The Authority under the Master Indenture has agreed that, to the extent permitted by law, it will take all actions within its control to maintain the exclusion of the interest on the Master Indenture Bonds (other than Master Indenture Bonds designated as federally taxable) from gross income for federal income tax purposes.

The Trustee

The Master Indenture provides that the Trustee shall be depository of all the funds and accounts established by the Master Indenture, and shall deposit moneys in the appropriate funds and accounts as received as required by the Master Indenture and the Leases and shall pay out money from each of the funds and accounts at the times and in the manner required by the Leases and the Master Indenture. Moneys pertaining to each of such several funds and accounts may be kept in one or more bank accounts with other moneys of the Authority, in which event the moneys shall be allocated and maintained on the books and records of the Trustee to the funds and accounts in the manner, at the times and in the amounts provided by the Master Indenture. The Trustee is to be compensated from the proceeds of the Rentals or other moneys available and to become available under the Master Indenture and such compensation is to be paid prior to payment of principal and interest on the Master Indenture Bonds. The Master Indenture provides that the Trustee may be removed at any time for cause by the Registered Owners of at least 25% of the principal amount of the Outstanding Master Indenture Bonds, or by the Authority.

Defaults and Remedies

Events of Default under the Master Indenture are (a) default in payment of principal of or interest or redemption premium, if any, on any Master Indenture Bond when due, whether at maturity or upon call for redemption or pursuant to a mandatory redemption requirement, (b) default by the Authority in the performance or observance of any other of the covenants, agreements or conditions on its part in the Master Indenture, or in the Master Indenture Bonds, after written notice has been given by the Trustee to the Authority and the State or by the Registered Owners of not less than 25% of the principal amount of Outstanding Master Indenture Bonds to the Trustee and the Authority, and the Authority shall have had 60 days to correct the default and shall not have corrected the default within that period, provided that if such default cannot be corrected within 60 days it shall not constitute an event of default if action to correct the same is instituted within the 60 days and diligently pursued until the default is corrected, (c) default by the State in the payment when due of any Rental required under any Lease, or (d) damage to or destruction or failure of title to a Facility, but only if the insurance proceeds payable as a result of such damage, destruction or failure of title are, pursuant to the Master Indenture, to be deposited in the Redemption Fund and only if such proceeds, together with other available funds (including, but not

limited to, investment income and any remaining Rental), cannot be demonstrated to the satisfaction of the Trustee to be sufficient to pay when due the remaining principal of and interest on the Master Indenture Bonds.

Upon an Event of Default, the Trustee may, and, upon written request of the Registered Owners of not less than 25% in principal amount of the Outstanding Master Indenture Bonds shall, proceed in its own name to protect and enforce the rights of the Registered Owners. The remedies available under the Master Indenture are as follows: (i) by suit, action or proceeding in accordance with the laws of the State, to enforce all rights of the Registered Owners, including the right to require the Authority to collect Rentals under the Leases and to require the Authority to carry out any other covenant or agreement with Registered Owners and to perform its duties under Act 183, the Master Indenture and the Leases; (ii) by bringing suit upon the Master Indenture Bonds, (iii) by action or suit, to require the Authority to account as if it were the trustee of an express trust for the Registered Owners of the Master Indenture Bonds; (iv) by action or suit, to require appointment of a receiver to take over operation of any or all of the Facilities for the benefit of Registered Owners; and (v) by action or suit, to enjoin any acts or things which may be unlawful or in violation of the rights of the Registered Owners of the Master Indenture Bonds.

Neither the Trustee nor the Registered Owners have the right to accelerate payment of principal of or interest on the Master Indenture Bonds.

The Registered Owners of a majority of the principal amount of the Outstanding Master Indenture Bonds in default shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, to direct the method of conducting all remedial proceedings to be taken by the Trustee in accordance with law or the provisions of the Master Indenture. 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 Registered Owners not parties to the direction.

No Registered Owner shall have any right to institute any suit, action or other proceeding under provisions of the Master Indenture, or for the protection or enforcement of any right under the Master Indenture unless that Registered Owner 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 Registered Owners of not less than 25% in principal amount of the Outstanding Master Indenture Bonds shall have directed the Trustee to proceed to exercise the powers granted in the Master Indenture 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 fees, costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused or neglected to comply with such request. Such request and offer of indemnity are in every such case, at the option of the Trustee, conditions precedent to the execution of the powers under the Master Indenture, except in the manner provided in the Master Indenture, and all proceedings shall be instituted, had and maintained in the manner provided in the Master Indenture and for the benefit of all Registered Owners of the Outstanding Master Indenture Bonds. Notwithstanding the foregoing, the obligation of the Authority is absolute and unconditional to pay the principal and redemption price of and interest on the Master Indenture Bonds to the due dates thereof and the Registered Owners shall have a right of action, which is absolute and unconditional, to enforce such payment, but only from the moneys of the Authority pledged for such purpose.

Each Registered Owner by his or her acceptance of a Master Indenture Bond shall be deemed to have agreed that any court in its discretion may require, in any suit for the enforcement of any right or remedy under the Master Indenture or any supplemental resolution, or in any suit against the Trustee for any action taken or omitted by it as Trustee, the filing by any party litigant in such suit of an undertaking

to pay the reasonable costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees, against any party litigant in any such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; but not in any suit instituted by the Trustee, or instituted by any Registered Owner or group of Registered Owners of at least 25% in principal amount of the Outstanding Master Indenture Bonds, or to any suit instituted by any Registered Owner for the enforcement of the payment of the principal or redemption price of or interest on any Master Indenture Bond on or after the respective due date of such Bond expressed in that Bond.

If the Authority purchases insurance for any Master Indenture Bonds, the bond insurer for such insured Master Indenture Bonds will be deemed to be the owner of the insured Master Indenture Bonds for purposes of exercising remedies available to the Owners upon the occurrence of an Event of Default; provided that a bond insurer shall not be so deemed a Registered Owner during such time as (i) it fails to make payments under its policy, (ii) its policy is unavailable to the Trustee, or (iii) there is an act of bankruptcy by the bond insurer.

Supplemental Indentures and Lease Amendments

The Authority may adopt indentures supplemental to the Master Indenture to cure any ambiguity or formal defect or omission, to grant to the Trustee additional rights for the benefit of the Registered Owners of the Master Indenture Bonds, to make subject to the provisions of the Master Indenture any additional property, including Improvements to a Facility, to comply with the provisions or requirements of the Internal Revenue Code of 1986, in order to maintain the exclusion of the interest on the Master Indenture Bonds from gross income for federal income tax purposes, to comply with the provisions of the Master Indenture pertaining to supplemental indentures in connection with the issuance of Additional Bonds, to accomplish any other action authorized or required by the Leases or the Master Indenture, to specify the duties of Agents and provisions relating to their qualification, compensation, appointment, resignation or removal, to satisfy the requirements of a national rating agency rating the Master Indenture Bonds in order to obtain, maintain or improve the rating on the Master Indenture Bonds or to make any changes not materially adverse to the Registered Owners of any of the Master Indenture Bonds.

Supplemental Indentures may otherwise be adopted by which the Master Indenture may be amended in particular, with notice to and the consent of the Surety Provider, if any, and Registered Owners of not less than 51% of the aggregate principal amount of all Master Indenture Bonds then outstanding, provided that nothing shall permit, without the consent and approval of the Registered Owners of all Outstanding Bonds (a) an extension of the maturity of principal or interest, (b) any alteration of the Redemption Requirements except as provided in the Master Indenture, (c) a reduction in the principal amount of, the redemption premium on or the rate of interest on any Master Indenture Bonds, (d) the creation of a lien upon or pledge of the revenues other than the lien or pledge created by the Master Indenture, (e) priority or preference of any Master Indenture Bonds over any other Master Indenture Bonds, or (f) a reduction in the aggregate principal amount required for consent to such supplemental indenture.

The Authority may consent to amendments to a Lease to, among other things, cure any ambiguity, formal defect or omission, to identify more precisely or to substitute in accordance with the Lease the equipment, machinery and furnishings forming a part of any Facility, to grant to the Trustee for the benefit of the Registered Owners any additional security, to remove or release from a Facility such portions of the Facility as may be required or permitted under the Master Indenture, to comply with requirements in connection with the issuance of Additional Bonds, to accomplish any other action authorized by the Leases or the Master Indenture or to satisfy the requirements of a national rating agency rating the Master Indenture Bonds in order to obtain, maintain or improve the rating on the Master Indenture Bonds. Except for such amendment to a Lease neither the Authority, nor the Trustee shall

consent to any amendment to a Lease unless notice shall have been given and the Surety Provider, if any, and Registered Owners of not less than 51% of the aggregate outstanding principal amount of all Master Indenture Bonds shall have consented to such amendment, provided that nothing shall permit, without the approval of the Registered Owners of all Outstanding Master Indenture Bonds (i) a reduction in the annual Rentals below an amount equal (together with other Revenues) to the projected Principal and Interest Requirements, (ii) any change in the due date of the Rentals, or (iii) any material reduction in the insurance coverage or the application of the proceeds of insurance.

Defeasance

If all or any part of the Master Indenture Bonds shall have become due and payable and if subject to redemption prior to maturity they shall have been duly called for redemption or irrevocable instructions to call such Bonds for redemption shall have been given by the Authority to the Trustee, and the whole amount of the principal of and interest and premium, if any, on any such Bonds so due and payable shall be paid or sufficient moneys or Defeasance Obligations, the principal of and the interest on which, when due and payable, will provide sufficient moneys, shall be held by the Trustee or otherwise held in trust for such purpose under the provisions of the Master Indenture, then and in that case the right, title and interest of the Registered Owners of such Master Indenture Bonds shall thereupon cease, terminate and become void, except for rights of payment from moneys so held and for registration, transfer and replacement of the Master Indenture Bonds, and, on demand of the Authority, the Trustee shall release the Master Indenture as to those Master Indenture Bonds and shall execute such documents to evidence such release as to those Master Indenture Bonds as may be reasonably required by the Authority; provided, however, that Defeasance Obligations so held shall not be callable at the option of the issuer, if such call could result in less than sufficient moneys being available for the purposes required by the Master Indenture. The Trustee shall turn over to the Authority, as appropriate, in the case of either a full or partial redemption, all or the pro rata portion of the remaining property held by it under the Master Indenture related to those Master Indenture Bonds, all or the pro rata portion of any surplus in any account in the Bond Payment Fund and all of the pro rata portion of all balances remaining in all other funds and accounts relating to such Bonds, other than moneys held for the redemption or payment of such Bonds; provided, that in the event of a defeasance of Master Indenture Bonds through the issuance of refunding bonds, all or any portion of the amounts in the Bond Payment Fund may be transferred to the Authority. Otherwise, the Master Indenture shall continue and remain in full force and effect.

“Defeasance Obligations” means any of the following: (i) Government Obligations (as defined in this Official Statement in the section “SUMMARY OF THE MASTER INDENTURE – Investments”), (ii) non-callable obligations timely maturing and bearing interest (but only to the extent that the full faith and credit of the United States of America are pledged to the timely payment thereof), including, but not limited to Resolution Funding Corp. debt obligations, and U.S. Agency for International Development guaranteed notes (must mature at least 4 business days before the appropriate payment date), and (iii) non-callable senior debt obligations of U.S. government-sponsored agencies that are not backed by the full faith and credit of the U.S. government, including, but not limited to, Federal Home Loan Mortgage Corp. debt obligations, Farm Credit System consolidated system wide bonds and notes, Federal Home Loan Banks consolidated debt obligations, Federal National Mortgage Association debt obligations, Student Loan Marketing Association debt obligations, Resolution Funding Corp. debt obligations, and U.S. Agency for International Development guaranteed notes (must mature at least 4 business days before the appropriate payment date); provided, however, that Defeasance Obligations shall not include any investment which is prohibited or not permitted by the Act.

THE EDUCATIONAL INSTITUTIONS

The Educational Institutions consist of the following (the “**Educational Institutions**”):

Central Michigan University, Eastern Michigan University, Ferris State University, Grand Valley State University, Lake Superior State University, Michigan State University, Michigan Technological University, Northern Michigan University, Oakland University, Saginaw Valley State University, University of Michigan–Ann Arbor, University of Michigan–Dearborn, University of Michigan–Flint, Wayne State University and Western Michigan University (collectively, the “**Universities**”), exist by virtue of certain provisions of the State Constitution, which as construed by the State Supreme Court, give to each governing body the general supervision of each University and the control and direction of all expenditures from each University’s funds. The Constitution requires the Legislature each year to appropriate moneys to maintain each University and requires each University to give an annual accounting of all income and expenditures to the Legislature. In addition to the appropriations, the principal sources for maintenance of each University are tuition and other charges collected from students, gifts and donations, income from endowment funds and federal funds.

Alpena Community College, Bay de Noc Community College, Charles Stewart Mott Community College, Community College District of Gogebic County, Community College District of Monroe County, Delta College, Glen Oaks Community College, Grand Rapids Community College, Henry Ford Community College, Jackson Community College, now known as Jackson College, Kellogg Community College, Kirkland Community College, Lake Michigan College, Macomb Community College, Lansing Community College, Mid Michigan Community College, Montcalm Community College, Muskegon Community College, North Central Michigan College, Northwestern Michigan College, Schoolcraft College, Southwestern Michigan College, St. Clair Community College, Washtenaw Community College and West Shore Community College (collectively, the “**Community Colleges**”) exist pursuant to State law and a vote of electors within the Community College’s community college district. Each Community College is governed by an elected board of trustees and provides education for persons above the 12th grade age level for collegiate and non-collegiate level education, including area vocational-technical education programs. Each board is authorized to levy property taxes up to voter approved levels, subject to constitutional and statutory limitations. The State has generally provided for support of community college districts, including each Community College, but no specific level of State funding is required. In addition to authorized property taxes, the other principal sources for maintenance of each Community College are tuition and other charges collected from students, gifts and donations, and federal funds.

THE AUTHORITY

General

The Authority was created pursuant to Act 183, and trustees were first appointed in 1977. Executive Order 2013-8, effective as of July 19, 2013, transferred the Authority from the Michigan Department of Technology, Management and Budget to the Michigan Department of Treasury. The Authority retained all of its statutory authority, powers, duties and functions, including retaining control of all monies and funds under the transfer. The transfer did not impair the security on any obligations of the Authority.

The purpose of the Authority is to acquire, construct, furnish, equip, own, improve, renovate, enlarge, operate, mortgage and maintain buildings, necessary parking structures or lots and facilities and sites therefor or furnishings or equipment for the use of the State, including certain institutions of higher education of the State.

The Authority is authorized under Act 183 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, or the principal amount of bonds allocated for debt service reserves and bond issuance expenses, including discounts and bond insurance premiums, and certain bonds issued to refund outstanding bonds. The amount of bonds that may be issued by the Authority may be increased upon appropriate further amendment of Act 183. Approximately \$44.8 million* of the Authority's 2024II Bonds will be chargeable against the Authority's bonding limitation.

All payments under all leases previously entered into under Act 183 have been made by the State to the Authority when due. No draws on any reserve account have been made by any trustee under any resolution with respect to the Authority's outstanding Master Indenture Bonds. The Authority has never defaulted on payment of principal or interest on any of its Master Indenture Bonds.

In June 1993, the Authority established a commercial paper program to provide interim financing for the acquisition, construction, equipping or improving of facilities for the State and certain institutions of higher education of the State and to refund existing notes. Notes or commercial paper outstanding at any one time during this program may not exceed \$225 million. As of April 25, 2024, there was approximately \$116.3 million of commercial paper notes outstanding under this program. The Authority also expects to issue other bonds in the future to provide permanent financing for the facilities described and for other purposes. The amount and date of issuance of such bonds cannot be currently projected but will be determined by the Authority based upon a variety of factors including construction progress, market conditions and State legislative appropriations.

Members and Executive Director of the Authority

Act 183 requires that the Authority be governed by a Board of Trustees consisting of five members appointed by the Governor, with the advice and consent of the Senate, for terms of four years. Each trustee holds office until the appointment and qualification of his or her successor. Board members are required to take the constitutional oath of office and may not hold another elective or appointive office with the State.

Present members of the Board of Trustees and the Executive Director of the Authority are as follows:

EHRlich J. CRAIN, Chairperson. (Trustee since August 22, 2019; term expires August 21, 2027). Ehrlich J. Crain is the Director and Business Development and Diversity Officer for Roncelli, Inc., a full-service general contracting, construction management and real estate development firm headquartered in Sterling Heights, Michigan. He manages their downtown Detroit office and is actively involved in the project identification and implementation of metropolitan Detroit construction and development activities. Mr. Crain has over 39 years of experience in construction and real estate development. He is an alumnus of Western Michigan University and is also a Licensed Real Estate Salesperson. He is currently Board President of the Detroit Innovation Academy K-8 Charter School, a Board member of the City of Detroit Downtown Development Authority (DDA), Board Treasurer of the East Jefferson Development Corporation and a Board member of the Detroit Athletic Club.

*Preliminary, subject to change.

MICHAEL BARNWELL, Vice-Chairperson. (Trustee since August 28, 2020; term expires August 21, 2024). Michael Barnwell is the President of the Michigan Regional Council of Carpenters and Millwrights (“MRCC”), the largest skilled trades union in Michigan, representing more than 14,000 carpenters, millwrights, and floor layers. The MRCC partners with hundreds of signatory contractors throughout the state, ensuring that construction projects employ the best trained, highest skilled workers by responsible contractors who build on time and on budget. Michael is a journeyman millwright and 30-year member of the MRCC, trained at the Millwright Institute of Technology in Warren, Michigan. He is the Chair of the Statewide Joint Apprenticeship and Training Committee, as well as the Chair of the Millwright Pension Fund.

TODD BEGEROWSKI (Trustee since October 29, 2021; term expires August 21, 2025). Todd Begerowski is the vice president of operations at Dearborn Mid-West Company. Mr. Begerowski is also the president of the Michigan Conveyors Manufacturers Association. He was in the United States Air Force from 1992 to 1994 where he served on the emergency service team.

PRICE DOBERNICK (Trustee since October 29, 2021; term expires August 21, 2025). Price Dobernick is the business manager and financial secretary for United Association of Plumbers and Pipefitters local Union 333 and has been in this position since 2010. He previously served as a pipefitter and superintendent for the union. Mr. Dobernick also serves on the Sparrow Hospital Foundation Board of Directors, Lansing Entertainment and Public Facilities Board of Directors, Lansing Community College Foundation Board and serves as president of the Michigan Pipes Trade Association.

AARON PANGBORN (Trustee since September 19, 2022; term expires August 21, 2026). Aaron Pangborn is the Business Manager and Financial Secretary for I.B.E.W. (International Brotherhood of Electrical Workers) Local 665 in Lansing, Michigan. He also serves as trustee on various boards and committees for the I.B.E.W. He previously worked as a Master Electrician for various Union Electrical Contractors in the State of Michigan.

ANDREW BOETTCHER, Executive Director. Andrew Boettcher has been employed with the State of Michigan since 2015. He was appointed Deputy Executive Director in 2020 and Executive Director in May of 2022. Prior to the State Building Authority, Mr. Boettcher was the Administrator of the Financial Services Office at Treasury overseeing the banking functions of the State. Prior to Treasury he has been in the banking industry for over twenty years in various roles including committee appointments at National Automated Clearing House Association (“NACHA”) and The Clearing House. Mr. Boettcher holds an MBA from Spring Arbor University and a Bachelor of Arts degree in Management with a minor in International Business from Northwood University.

The Leases and the Master Indenture provide that the promises, covenants, agreements and obligations of the State and the Authority are those of the State or the Authority, as the case may be, and not of any member, officer or employee of the State or the Authority in his or her individual capacity and that no recourse is to be had against any such member, officer or employee.

LEGALITY FOR INVESTMENTS IN THE STATE

The 2024II Bonds are eligible for investment in the State under Act 183 by State banks, trust companies, savings and loan associations, investment companies, insurance companies and administrators, executors, guardians, trustees and other fiduciaries.

ADVISORY OPINION

Pursuant to authority granted by Article 3, Section 8 of the State Constitution, the Legislature certified certain questions as to the constitutionality of Act 183 to the State Supreme Court, which responded in *Advisory Opinion on Constitutionality of 1976 PA 240*, 400 Mich 311, 320 (1977). The questions certified and responded to involved whether bonds of the Authority or the obligations of the State under leases authorized by Act 183 constituted State indebtedness and whether future legislatures would be constitutionally obligated to appropriate each year amounts sufficient to pay rentals to the Authority required by leases of the Authority and the State. The Supreme Court, in a five to one Advisory Opinion, with one abstention, stated that the 2024II Bonds and the lease obligations did not create State indebtedness and that the State would be contractually bound to appropriate the necessary public funds to pay the Rentals when due. The majority opinion also discussed potential problems that may result in attempting to enforce the contractual obligation against the State:

“However, in that its [the State’s] power to invoke sovereign immunity can partially or even totally obstruct enforcement, the state differs essentially from non-governmental contractors. [citations omitted] Although in granting limited jurisdiction over all contract claims against the state to the Court of Claims [citations omitted] the State of Michigan has waived its sovereign immunity, even that waiver is subject to legislative revocation.”

“The Court of Claims has jurisdiction to award damages but it is without equitable powers. Parties who pursue their contract claims in that court are therefore restricted in the nature of the remedy they may seek.”

“Nevertheless we are of the opinion that the enabling Legislature in the instant case does contractually oblige future Legislatures to provide adequate appropriations in order to satisfy the rental payments as due. [citations omitted]”

The obligation to appropriate and pay the Rentals depends upon the Facilities being tenantable. See “SECURITY FOR AND SOURCES OF PAYMENT OF THE 2024II BONDS – Factors Affecting State Rental Obligation and Insurance Provisions.” Neither the form of a lease nor the form of a resolution was before the Court. Two of the majority justices, in a separate opinion, pointed out that an Advisory Opinion is not binding precedent on the Court and does not constitute a decision of the Court, but is the opinion of the several justices based upon the bare words of Act 183. The dissenting opinion by one justice concluded the transaction resulted in State indebtedness without complying with the requirements of the State Constitution. Copies of the foregoing *Advisory Opinion* are available upon request from the Authority.

LITIGATION

There is no litigation either pending or, to the knowledge of the Authority, threatened, restraining or enjoining the issuance or delivery of the 2024II Bonds or in any manner questioning the proceedings and authority under which the 2024II Bonds are to be issued, or affecting the validity of the 2024II Bonds.

The State is a party to various legal proceedings seeking damages or injunctive or other relief. In addition to routine litigation, certain of these proceedings could, if unfavorably resolved from the point of view of the State, substantially affect State programs or finances. The State is also a party to various legal proceedings which, if resolved in the State’s favor, would result in contingency gains to the State’s General Fund balance, but without material effect upon Fund balance. The ultimate dispositions and

consequences of all of these proceedings are not presently determinable. See discussion of litigation involving the State under “LITIGATION” in Appendix I to this Official Statement.

APPROVAL OF LEGALITY

All of the legal proceedings in connection with the authorization and issuance of the 2024II Bonds are subject to approval of the Attorney General and of Bond Counsel, Miller, Canfield, Paddock & Stone, P.L.C., Lansing, Michigan. The approving opinions of the Attorney General and Bond Counsel to the Authority, in substantially the forms attached hereto as Appendices III and IV, respectively, will be delivered at the closing for the 2024II Bonds. The fees of Bond Counsel in connection with the issuance of such approving opinion will be paid from the proceeds of the 2024II Bonds as one of the costs of issuance.

Certain legal matters will be passed upon for the Authority by the Attorney General and Bond Counsel. Certain legal matters will be passed upon for the Underwriters by their counsel, Dykema Gossett PLLC, Lansing, Michigan.

Miller, Canfield, Paddock & Stone, P.L.C. and Dykema Gossett PLLC have in the past, are now and may in the future represent the Authority, the State, the Underwriters and/or one or more purchasers of the 2024II Bonds with respect to matters unrelated to the issuance of the 2024II Bonds. Miller, Canfield, Paddock & Stone, P.L.C. is currently representing the Authority as note counsel for its commercial paper program. By the purchase of one or more of the 2024II Bonds, each purchaser consents to such unrelated representations and to such firms acting as Bond Counsel and Underwriters’ Counsel, respectively, with respect to the 2024II Bonds.

TAX MATTERS

General

If, as anticipated, the respective Bond Purchase Contracts for the 2024I Bonds and the 2024II Bonds are executed within 15 days of each other, the 2024I Bonds and the 2024II Bonds will be treated as one issue for certain federal income tax purposes. As a result, failures to comply with federal tax law requirements with respect to either the 2024I Bonds or the 2024II Bonds may cause interest on all of the 2024II Bonds to be included in gross income for federal income tax purposes.

In the opinion of the Attorney General and Miller, Canfield, Paddock & Stone, P.L.C., as Bond Counsel, under existing law, the interest on the 2024II 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 2024II Bonds and the interest thereon are exempt from all taxation by the State of Michigan or any of its political subdivisions, 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 2024II Bonds and the interest thereon.

The opinion on federal tax matters is based on the accuracy of certain representations and certifications, and continuing compliance with certain covenants, of the Authority contained in the transcript of proceedings and which are intended to evidence and assure the foregoing, including that the 2024II Bonds are and will remain obligations the interest on which is excludable from gross income for federal income tax purposes. The Authority has covenanted to take the actions required of it for the interest on the 2024II Bonds to be and to remain excludable from gross income for federal income tax purposes, and not to take any actions that would adversely affect that exclusion. The opinions of the

Attorney General and Bond Counsel assume the accuracy of the Authority's certifications and representations and the continuing compliance with the Authority's covenants. Noncompliance with these covenants by the Authority may cause the interest on the 2024II Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the 2024II Bonds. Neither the Attorney General nor Bond Counsel have undertaken to determine (or to so inform any person) whether any actions taken or not taken, or any events occurring or not occurring, or any other matters coming to their attention, may adversely affect the exclusion from gross income for federal income tax purposes of interest on the 2024II Bonds or the market prices of the 2024II Bonds after the date of issuance of the 2024II 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. They represent the legal judgment of the Attorney General and Bond Counsel as to the excludability of interest on the 2024II Bonds from gross income for federal income tax purposes but are not guarantees of that conclusion. Their 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 opinion or assurance about the effect of future changes in the Internal Revenue Code of 1986, as amended (the "Code"), the applicable regulations, the interpretations thereof or the enforcement thereof by the IRS.

Ownership of the 2024II Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, corporations subject to the branch profits tax, corporations (as defined in Section 59(k) of the Code) subject to the alternative minimum 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 2024II 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 Bond is less than the stated redemption price of such Bond at maturity, then such Bond is considered to have "original issue discount" equal to the difference between such initial offering price and the amount payable at maturity (such 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 Bond is sold over the amount payable at maturity thereof constitutes for the original purchasers of such Bonds (collectively, the “**Original Premium Bonds**”) an amortizable bond premium. Bonds other than Original Premium Bonds may also be subject to an amortizable bond premium determined generally with regard to the taxpayer’s basis (for purposes of determining loss on a sale or exchange) and the amount payable on maturity or, in certain cases, on an earlier call date (such bonds being referred to herein collectively with the Original Premium Bonds as the “**Premium Bonds**”). 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 2024II Bonds. Accordingly, holders acquiring their Bonds subsequent to the initial issuance of the 2024II 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 2024II 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 2024II 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 2024II 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

The engagement of Bond Counsel with respect to the 2024II Bonds ends with the issuance of the 2024II Bonds and, unless separately engaged, Bond Counsel is not obligated to defend the Authority in the event of an audit examination by the IRS. The IRS has a program to audit tax-exempt obligations to determine whether the interest thereon is includible in gross income for federal income tax purposes. If the IRS does audit the 2024II Bonds, under current IRS procedures, the IRS will treat the Authority as the taxpayer and the beneficial owners of the 2024II Bonds will have only limited rights, if any, to obtain and participate in judicial review of such audit.

NO ASSURANCE CAN BE GIVEN THAT ANY FUTURE LEGISLATION OR CLARIFICATIONS OR AMENDMENTS TO THE CODE, IF ENACTED INTO LAW, WILL NOT CONTAIN PROPOSALS WHICH COULD CAUSE THE INTEREST ON THE 2024II BONDS TO BE SUBJECT DIRECTLY OR INDIRECTLY TO FEDERAL OR STATE OF MICHIGAN INCOME TAXATION, ADVERSELY AFFECT THE MARKET PRICE OR MARKETABILITY OF THE 2024II BONDS, OR OTHERWISE PREVENT THE HOLDERS FROM REALIZING THE FULL CURRENT BENEFIT OF THE STATUS OF THE INTEREST THEREON. FURTHER, NO ASSURANCE CAN BE GIVEN THAT ANY ACTIONS OF THE INTERNAL REVENUE SERVICE, INCLUDING, BUT NOT LIMITED TO, SELECTION OF THE 2024II BONDS FOR AUDIT EXAMINATION, OR THE COURSE OR RESULT OF ANY EXAMINATION OF THE 2024II BONDS, OR OTHER BONDS WHICH PRESENT SIMILAR TAX ISSUES, WILL NOT AFFECT THE MARKET PRICE OF THE 2024II BONDS.

INVESTORS SHOULD CONSULT WITH THEIR TAX ADVISORS AS TO THE TAX CONSEQUENCES OF THEIR ACQUISITION, HOLDING OR DISPOSITION OF THE 2024II BONDS, INCLUDING THE IMPACT OF ANY PENDING OR PROPOSED FEDERAL OR STATE OF MICHIGAN TAX LEGISLATION.

RATINGS

Moody's Investors Service, Inc. ("**Moody's**"), and Fitch Ratings ("**Fitch**"), have assigned the 2024II Bonds their municipal bond ratings of "____," and "____," respectively, upon the closing date thereof. Any explanation of the significance of the ratings may be obtained only from Moody's or Fitch. There is no assurance that any of the ratings will continue for any given period of time or that any rating may not be lowered or withdrawn if in the judgment of a rating agency circumstances so warrant. Any such downward change in or withdrawal of a rating may have an adverse effect on the secondary market price of the 2024II Bonds. A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time.

CONTINUING DISCLOSURE AGREEMENT

General

The Authority, as issuer of the 2024II Bonds, and the State, as an "obligated person" within the meaning of SEC Rule 15c2-12 (defined below), will covenant for the benefit of the Registered Owners and the Beneficial Owners (as defined below) of the 2024II Bonds, pursuant to a Continuing Disclosure Agreement (the "**Disclosure Agreement**") to be provided at the time of delivery of the 2024II Bonds, to undertake continuing disclosure with respect to the 2024II Bonds. The form of Continuing Disclosure Agreement is attached as APPENDIX V.

“**Beneficial Owner**” means any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including any person holding Bonds through nominees, depositories or other intermediaries). These covenants are made to assist registered underwriters, brokers, dealers and municipal securities dealers in complying with the requirements of Rule 15c2-12 (“**Rule 15c2-12**”) promulgated by the SEC pursuant to the Securities Exchange Act of 1934, as amended.

In the Disclosure Agreement, (i) the Michigan State Treasurer (the “**State Treasurer**”) on behalf of the State and the Authority will covenant to provide or cause to be provided each year certain financial information and operating data relating to the State (the “**Annual Report**”) by not later than the date seven months after the close of the State’s fiscal year, provided, however, that if the audited financial statements of the State are not available by this date, they will be provided when and if available, and unaudited financial statements will be included in the Annual Report, and (ii) the State will covenant to provide or cause to be provided timely notice of the occurrence of certain material enumerated events as set forth below (the “**Notices of Material Events**”). Currently, the State’s fiscal year ends on September 30. The Annual Report and Notices of Material Events will be filed by the State with the Municipal Securities Rulemaking Board’s (“**MSRB**”) Electronic Municipal Market Access (EMMA) system.

Compliance

In the last five years, neither the Authority nor the State has failed to comply in all material respects with any previous undertakings with regard to Rule 15c2-12 to provide annual reports or notices of material events pursuant to Rule 15c2-12. Although not believed by the State to be material, the following instances are noted:

Date	Action	Reason for Notice	Bonds Affected
February 27, 2020	Filed EMMA notice	State timely filed Comprehensive Annual Financial Report (“CAFR”) for the State fiscal year ended September 30, 2015, but did not include all applicable CUSIPS.	State of Michigan General Obligation Environmental Program Bonds, Series 2016A (Tax-Exempt)
February 27, 2020	Filed EMMA notice	State timely filed Comprehensive Annual Financial Report (“CAFR”) and Operating Data for the State fiscal years ended September 30, 2017 and September 30, 2018, but did not include all applicable CUSIPS.	State of Michigan State Trunk Line Fund Bonds, Series 2011

FINANCIAL INFORMATION

The State of Michigan Comprehensive Annual Financial Reports for the fiscal years ended September 30, 2022 and 2023 prepared by the State’s Department of Technology, Management and Budget and audited by the State’s Auditor General are incorporated herein by this reference, and are available at www.michigan.gov/ofm (under “Annual Comprehensive Financial Reports”), and have been filed with EMMA at <http://www.emma.msrb.org> in accordance with continuing disclosure agreement requirements in effect.

MUNICIPAL ADVISOR

Robert W. Baird & Co. Incorporated (“**Baird**”) serves as municipal advisor to the Authority. Baird is precluded from participating in any group syndicate which may purchase the 2024II Bonds. Pursuant to its agreement with the Authority, Baird’s fees and expenses and certain routine expenses of the Authority associated with the marketing and sale of the 2024II Bonds will be paid from the proceeds of the 2024II Bonds as one of the costs of issuance. Baird is registered with the SEC and MSRB as a municipal advisor.

UNDERWRITING

The 2024II Bonds are being purchased by Jefferies LLC, as Representative of the Underwriters listed on the cover page of this Official Statement (collectively, the “**Underwriters**”). The Representative has agreed, on behalf of the Underwriters, subject to certain conditions, to purchase all of the 2024II Bonds from the Authority at an aggregate Underwriters’ discount of \$ _____ from the initial offering prices set forth in this Official Statement. The Underwriters are obligated to purchase all of the 2024II Bonds, if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the Bond Purchase Contract with respect to the 2024II Bonds, the approval of certain legal matters by counsel and certain other conditions. The initial public offering prices of the 2024II Bonds may be changed from time to time by the Underwriters. The 2024II Bonds may be offered and sold by the Underwriters to certain dealers (including dealers depositing the 2024II Bonds in unit investment trusts, some of which may be managed by the Underwriters) and certain dealer banks and banks acting as agents at prices lower than the public offering prices set forth in this Official Statement.

The Representative and its respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. The Representative has, from time to time, and may in the future perform, various investment banking services for the Authority for which it received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Representative and its respective affiliates, officers, directors and employees may purchase, sell or may make or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the issuer (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the issuer. The Representative and its respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments. Such investment and securities may involve securities and instruments of the Authority.

The Representative and its respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

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STATE ADMINISTRATIVE BOARD

The State Administrative Board is the body which has previously approved the Leases, and the conveyances to the Authority of property for the Facilities, appointed the Appraiser and approved the final appraisal of the Facilities. The State Administrative Board is composed of the Governor, the Lieutenant Governor, the Secretary of State, the Attorney General, the Superintendent of Public Instruction, the Director of the Department of Transportation and the State Treasurer. The Attorney General serves as counsel to the Authority.

This Official Statement has been duly executed and delivered on behalf of the Authority by its Chairperson and its Executive Director.

**STATE BUILDING AUTHORITY
STATE OF MICHIGAN**

By: _____
EHRlich J. Crain
Chairperson

By: _____
Andrew Boettcher
Executive Director

APPENDIX I

CERTAIN FINANCIAL INFORMATION AND OPERATING DATA CONCERNING THE STATE OF MICHIGAN

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

Complete financial statements of all of the State's funds as included in the State of Michigan Annual Comprehensive Financial Report prepared by the State's Department of Technology, Management and Budget are available at <https://www.michigan.gov/budget/fiscal-pages/reports/annual-comprehensive-financial-report>. Information required for fiscal years ended September 30, 2019, through 2023 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.

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

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STATE GOVERNMENT

Michigan History

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

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

Legislative Branch

Legislative power is vested in the State House of Representatives, consisting of 110 members elected for two year terms, and the State Senate, consisting of 38 members elected for four year terms concurrent with the term of the Governor. The Legislature meets annually in January for a session of indeterminate length. Legislative term limits were amended with passage of ballot measure 2022-1. The Constitution of Michigan of 1963, Article IV Sec. 54. (1) A person may not be elected to the office of state representative or state senator for terms or partial terms that combined total more than 12 years. However, this limitation does not prohibit a person elected to the office of state senator in 2022 from being elected to that office for the number of times permitted at the time the person became a candidate for that office.

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 47,780 employees as of January 2024. Approximately 47,615 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 1,168 elected officials and appointed staff, and 158 classified civil service employees. The judicial branch consists of approximately 1,414 judges and court employees.

Wages, hours and working conditions for approximately 65% 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, 2025, for nine of the ten represented bargaining units. These groups are scheduled to receive in Fiscal Year 2025 a 5% base wage increase effective October 1, 2024. The scheduled compensation package in Fiscal Year 2025 for the non-bargaining employees will also include a 5% base wage increase effective October 1, 2024. The State Police Enlisted bargaining unit will negotiate wages for FY 2025 later this year.

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)	10,274	9/30/24
Security	MCO, SEIU, Local 526M	4,949	9/30/24
Administrative Support	United Auto Workers (UAW)	5,543	9/30/24
Labor and Trades	Michigan State Employees Association (AFSCME Local 5)	1,943	9/30/24
Scientific and Engineering	SEIU, Local 517M	2,487	9/30/24
Institutional	AFSCME Council 25	1,431	9/30/24
State Police Enlisted	Michigan State Police Troopers Association (Independent)	1,632	9/30/24
Safety and Regulatory	Michigan State Employees Association (AFSCME Local 5)	1,356	9/30/24
Human Services Support	SEIU, Local 517M	565	9/30/24
Technical	SEIU, Local 517M	859	9/30/24
Non Bargaining	N/A	<u>16,734</u>	9/30/24
Total		47,773	

SOURCE: State of Michigan, Office of the State Employer. Information as of January 20, 2024. 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 2023 was 3.9 percent, down from 4.1 percent in 2022.

TABLE 2

STATE LABOR FORCE AND UNEMPLOYMENT RATES (Amounts in Thousands)

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Civilian Labor Force	4,979.5	4,861.6	4,775.2	4,866.1	5,007.9
Employment	4,777.0	4,376.0	4,500.8	4,664.2	4,812.4
Unemployment	202.6	485.5	274.3	201.9	195.5
Unemployment Rate (%)	4.1	10.0	5.7	4.1	3.9

SOURCE: U.S. Department of Labor, Bureau of Labor Statistics (data retrieved on March 19, 2024).

TABLE 3

STATE PAYROLL WAGE & SALARY EMPLOYMENT (Amounts in Thousands)

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
<u>Wage and Salary Employment</u>	<u>4,442.8</u>	<u>4,039.3</u>	<u>4,199.0</u>	<u>4,371.7</u>	<u>4,451.0</u>
Total Private	3,828.4	3,458.3	3,625.7	3,785.8	3,848.8
Goods Producing	807.2	727.9	767.2	797.5	810.9
Private Service Providing	3,021.3	2,730.5	2,858.6	2,988.3	3,038.0
Government	614.3	581.0	573.2	585.9	602.1
<u>Goods Producing</u>	<u>807.2</u>	<u>727.9</u>	<u>767.2</u>	<u>797.5</u>	<u>810.9</u>
Mining and Logging	7.3	6.6	6.7	7.2	7.3
Construction	173.6	164.6	176.6	183.6	188.9
Manufacturing	626.3	556.8	583.9	606.8	614.7
Durable Goods	473.2	415.3	437.3	453.7	459.9
Non-Durable Goods	153.1	141.4	146.6	153.1	154.9
<u>Service Providing (Includes Government)</u>	<u>3,635.6</u>	<u>3,311.4</u>	<u>3,431.8</u>	<u>3,574.2</u>	<u>3,640.1</u>
Trade, Transportation, and Utilities	794.9	745.3	780.1	807.2	813.5
Wholesale Trade	173.2	162.7	165.4	172.6	178.1
Retail Trade	464.3	428.6	448.9	456.4	457.3
Transportation, Warehousing and Utilities	157.4	154.0	165.8	178.2	178.2
Information	55.4	50.7	52.4	56.8	57.9
Financial Activities	225.1	224.1	232.5	232.6	231.2
Finance and Insurance	169.0	172.8	179.0	176.0	173.2
Real Estate and Rental and Leasing	56.1	51.3	53.5	56.6	58.0
Professional and Business Services	654.6	600.8	630.1	659.7	654.3
Professional, Scientific, and Technical Services	299.4	289.1	301.1	314.3	317.7
Management of Companies and Enterprises	70.5	69.7	69.8	71.5	69.3
Administrative and Support and Waste Management	284.7	241.9	259.2	274.0	267.4
Private Educational and Health Services	689.1	641.0	651.9	663.3	688.6
Private Educational Services	73.7	66.3	69.6	73.6	77.7
Health Care and Social Assistance	615.4	574.8	582.3	589.8	611.0
Leisure and Hospitality	435.5	324.3	357.4	403.7	422.5
Accommodation and Food Services	381.9	288.5	314.6	353.2	368.3
Other	53.6	35.8	42.8	50.5	54.2
Other Services	166.6	144.2	154.1	164.8	169.9
Government	614.3	581.0	573.2	585.9	602.1

NOTE: Components may not total due to truncation.

“Other” category equals 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: Wage and salary benchmark released in March 2024. U.S. Department of Labor, Bureau of Labor Statistics (data retrieved on March 19, 2024).

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

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
<u>Manufacturing</u>	<u>626.3</u>	<u>556.8</u>	<u>583.9</u>	<u>606.8</u>	<u>614.7</u>
Durable Goods	473.2	415.3	437.3	453.7	459.9
Non-Durable Goods	153.1	141.4	146.6	153.1	154.9
<u>Durable Goods</u>	<u>473.2</u>	<u>415.3</u>	<u>437.3</u>	<u>453.7</u>	<u>459.9</u>
Nonmetallic Mineral Product	10.8	9.9	10.4	11.4	11.7
Primary Metal	22.5	18.3	18.1	18.7	19.0
Fabricated Metal Product	79.7	68.1	70.4	71.7	73.6
Machinery	73.8	66.8	68.0	69.2	69.4
Computer and Electronic Product	21.1	19.3	20.3	21.2	22.3
Transportation Equipment	190.0	163.0	178.9	186.6	188.0
Motor Vehicle	38.2	34.4	41.1	44.6	44.8
Motor Vehicle Parts	133.9	112.9	121.2	124.0	124.6
Other	17.9	15.7	16.6	18.0	18.6
Furniture and Related Product	23.5	21.2	19.9	20.7	20.3
Other	51.8	48.7	51.3	54.2	55.6
<u>Non-Durable Goods</u>	<u>153.1</u>	<u>141.4</u>	<u>146.6</u>	<u>153.1</u>	<u>154.9</u>
Food	38.4	37.2	38.6	40.8	42.6
Printing and Related Support Activities	13.6	11.6	11.8	12.1	11.9
Chemical	31.1	30.0	30.5	31.3	30.5
Plastics and Rubber Products	42.0	36.8	38.7	39.8	40.2
Other	28.0	25.8	27.0	29.1	29.7

NOTE: Components may not total due to truncation.

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

SOURCE: Wage and salary benchmark released in March 2024. U.S. Department of Labor, Bureau of Labor Statistics (data retrieved on March 19, 2024).

Total manufacturing employment was 614,700 in 2023. Employment in the durable goods manufacturing sector was 459,900 and non-durable goods employment was 154,900 in the State in 2023.

The combined motor vehicle and motor vehicle parts employment totaled 169,400 in the State in 2023.

TABLE 5

PER CAPITA INCOME

<u>Calendar Year</u>	<u>Michigan</u>	<u>U.S.</u>
2013	39,293	44,401
2014	40,830	46,287
2015	42,984	48,060
2016	44,081	48,971
2017	45,264	51,004
2018	47,088	53,309
2019	48,569	55,547
2020	52,780	59,151
2021	56,597	64,427
2022	57,043	65,473
2023	59,714	68,531

SOURCE: U.S. Department of Commerce, Bureau of Economic Analysis
Table SAINC1 of March 29, 2024 release

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TABLE 6

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

	2019	2020	2021	2022	2023
<u>Wage & Salary Disbursements by Place of Work</u>	<u>\$247,027</u>	<u>\$242,911</u>	<u>\$262,484</u>	<u>\$282,922</u>	<u>\$300,571</u>
Farm	809	695	676	772	821
Goods Producing	55,060	51,485	55,571	60,508	64,935
Natural Resources and Mining	765	719	777	880	932
Construction	11,312	11,368	12,646	13,719	14,902
Manufacturing	42,984	39,398	42,148	45,910	49,101
Durable Goods	33,499	30,123	32,322	35,307	38,066
Nondurable Goods	9,485	9,276	9,826	10,603	11,035
Service Providing	191,157	190,731	206,238	221,642	234,815
Trade, Transportation and Utilities	38,872	39,249	43,040	46,179	48,857
Wholesale Trade	13,321	13,089	14,243	15,498	16,799
Retail Trade	15,017	15,282	17,140	17,918	18,608
Transportation and Utilities	10,535	10,878	11,657	12,763	13,450
Information	4,299	4,497	4,913	5,153	5,283
Financial Activities	16,351	17,985	19,217	19,396	19,899
Finance and Insurance	13,502	15,063	15,957	15,811	16,090
Real Estate and Rental and Leasing	2,849	2,922	3,260	3,585	3,808
Professional and Business Services	46,829	46,236	50,996	55,718	59,308
Professional and Technical Services	27,004	26,939	29,595	32,311	34,942
Management of Companies and Enterprises	8,934	9,026	9,391	9,846	10,368
Administrative and Waste Services	10,891	10,271	12,009	13,561	13,998
Education and Health Services	34,080	34,201	36,195	38,572	41,024
Educational Services	2,617	2,544	2,708	2,939	3,220
Health Care and Social Assistance	31,463	31,657	33,488	35,633	37,804
Leisure and Hospitality	10,539	8,184	10,117	12,162	13,235
Accommodation and Food Services	8,521	6,592	8,282	9,878	10,714
Other	2,018	1,592	1,834	2,284	2,520
Other Services	7,406	7,356	7,846	8,668	9,329
Government	32,781	33,024	33,914	35,794	37,880
Supplements to Wages and Salaries	57,681	55,771	58,922	61,240	64,049
Proprietor's Income	31,408	36,787	40,227	42,804	43,490
Farm	(2)	1,117	1,557	1,449	555
Nonfarm	31,410	35,670	38,670	41,355	42,935
Total Income/Place of Work	336,115	335,469	361,633	386,966	408,110
Less: Contributions for Government Social Insurance	39,914	39,485	42,185	46,547	49,448
Plus: Adjustment for Residence	2,649	2,588	3,242	3,409	3,567
Net Labor and Proprietors' Income by Place of Residence	298,850	298,572	322,690	343,828	362,229
Plus: Dividends, Interest and Rent	88,059	88,654	97,307	105,143	110,562
Plus: Personal Current Transfer Receipts	102,583	144,304	148,135	123,354	126,575
Total Personal Income by Place of Residence	489,493	531,530	568,132	572,325	599,366

SOURCE: U.S. Department of Commerce, Bureau of Economic Analysis, Tables SAINC5 and SAINC7 (March 29, 2024 Release)
Uses North American Industrial Classification System ("NAICS") industry categories.

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

TABLE 7

STATE AND UNITED STATES ECONOMIC STATISTICS

	1985	1990	1995	2000	2005	2010	2015	2020	2023
Personal Income (in \$ billions)									
State	133.5	177.4	230.3	301.1	329.2	352.1	429.3	531.5	599.4
U.S.	3,508.5	4,897.3	6,278.1	8,620.2	10,540.8	12,547.5	15,467.1	19,610.0	22,952.0
Consumer Price Index all items (1982-84=100).....									
State ⁽¹⁾	106.8	128.6	148.6	169.8	190.8	205.1	218.7	237.7	283.7
U.S.	107.6	130.7	152.4	172.2	195.3	218.1	237.0	258.8	304.7
Average Hourly Earnings									
State	12.64	13.86	16.31	19.26	21.46	21.77	20.81	22.51	26.27
U.S.	9.40	10.77	12.34	14.32	16.56	18.61	19.90	22.80	26.38
Civilian Labor Force 16 years and over (000's)									
State	4,360	4,614	4,831	5,157	5,070	4,755	4,760	4,862	5,008
U.S.	115,461	125,840	132,304	142,583	149,320	153,889	157,130	160,742	167,116
Unemployment Rate (%).....									
State	10.0	7.7	5.3	3.6	6.8	12.2	5.4	10.0	3.9
U.S.	7.2	5.6	5.6	4.0	5.1	9.6	5.3	8.1	3.6
Population (000's) ⁽²⁾									
State	9,076	9,295	9,676	9,939	10,051	9,884	9,934	10,078	10,037
U.S.	237,924	248,710	266,278	281,425	295,517	308,746	320,739	331,527	334,915

(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.

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 actual revenues for a fiscal period will fall below the revenue estimates on which appropriations for that period were based. By statute any recommendation for the reduction of expenditures must be approved or disapproved by a majority of the members of the appropriating committees of the House and Senate within ten days after the recommendation is made. No reduction can be made without approval from both committees and in the event of disapproval, the Governor may within 30 days submit a new recommendation for expenditure reductions to the committees for their approval or disapproval.

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

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

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

Financial Control Procedures

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

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

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

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

Cash Management

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

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

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

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

Accounting Practices

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

Audit Practices

The State's auditor, the Auditor General, is appointed by a majority vote of the Legislature for an eight year term, as prescribed by the State Constitution. The Auditor General conducts post financial and performance audits of the Department of Treasury, the Office of Financial Management of the Department of Technology, Management and Budget and all other State departments and agencies. Each audit is conducted in accordance with professional accounting and audit standards and is generally broader in scope than those that occur in the private sector. When a performance audit is completed, a financial audit, in the sense of a detailed examination of financial transactions, in accordance with Government Auditing Standards, is not always performed. Where appropriate, the Auditor General may choose to supplement 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)**

	FY 2019 Actual⁽⁴⁾	FY 2020 Actual⁽⁴⁾	FY 2021 Actual⁽⁴⁾	FY 2022 Actual⁽⁴⁾	FY 2023 Actual⁽⁴⁾	FY 2024 Projected⁽⁴⁾
Beginning Balance	\$ 788.3	\$ 905.8	\$ 2,363.0	\$ 4,362.8	\$ 7,463.5	\$ 3,925.3
Revenue by Major Source						
Taxes:						
Personal Income (Less Refunds)	\$ 7,114.4	\$ 6,736.4	\$ 7,577.4	\$ 7,720.5	\$ 6,917.1 ⁽⁹⁾	\$ 7,195.4 ⁽⁹⁾
Corporate Income Tax*	698.9	541.1	1,212.3	1,530.6	1,172.3	1,130.4
Cigarette Excise	175.7	180.1	177.0	158.8	143.4	137.3
Sales	795.0	903.9	978.3	1,192.3	1,094.5	1,003.5
Flow-Through Entity ⁽⁸⁾ Use ⁽⁷⁾	--	--	--	1,341.1	705.5	738.3
Insurance Company Taxes	757.4	747.5	1,258.3	1,194.9	1,251.6	1,280.4
Other Taxes	314.9	456.8	354.8	419.9	465.9	523.0
Total Tax Revenue	<u>\$ 10,253.5</u>	<u>\$ 9,957.6</u>	<u>\$ 12,014.1</u>	<u>\$ 14,035.9</u>	<u>\$ 12,238.4</u>	<u>\$ 12,337.8</u>
Non-Tax Revenues						
Federal Aid	\$ 5.1	\$ 3.9	\$ 8.3	\$ 9.2	\$ 13.9	\$ 10.0
Other Non-Tax Revenues	152.4	244.4	90.0	191.7	688.5	56.1
Total Non-Tax Revenues	<u>\$ 157.5</u>	<u>\$ 248.3</u>	<u>\$ 98.3</u>	<u>\$ 200.9</u>	<u>\$ 702.3</u>	<u>\$ 66.1</u>
Total Revenues	<u>\$ 10,411.0</u>	<u>\$ 10,205.9</u>	<u>\$ 12,112.5</u>	<u>\$ 14,236.8</u>	<u>\$ 12,940.7</u>	<u>\$ 12,403.9</u>
Other Resources						
Other Financing Sources ⁽⁵⁾	\$ 249.8	\$ 339.1	\$ 413.0	\$ 472.3	\$ 492.8	\$ 979.4
Other Resources ⁽⁶⁾	330.8	143.6	213.2	427.4	641.8	--
One Time Revenue Adjustments	--	--	--	--	--	--
Total Other Resources	<u>\$ 580.7</u>	<u>\$ 482.7</u>	<u>\$ 626.2</u>	<u>\$ 899.7</u>	<u>\$ 1,134.6</u>	<u>\$ 979.4</u>
Total Available Resources ⁽¹⁾	<u>\$ 11,780.0</u>	<u>\$ 11,594.4</u>	<u>\$ 15,101.7</u>	<u>\$ 19,499.3</u>	<u>\$ 21,538.8</u>	<u>\$ 17,308.7</u>
Expenditure by Major Category:						
Education	\$ 1,217.3	\$ 1,400.4	\$ 1,416.0	\$ 1,551.5	\$ 1,774.2	\$ 1,896.3
Public Protection	2,475.0	1,987.8	2,202.7	1,520.4	2,340.0	2,735.9
Health and Human Services	4,435.1	4,000.3	4,277.4	4,322.2	5,294.0	6,464.1
Capital Outlay	248.2	239.4	222.3	246.0	262.1	236.6
General Government	1,801.5	1,280.8	1,469.7	2,527.5	5,097.6	3,866.2
Transfer to Budget Stabilization Fund	100.0	--	535.0	180.0	100.0	100.0
Transfer to Drinking Water Declarations of Emergency Reserve Fund	--	--	--	--	--	--
Transfer to Michigan Infrastructure Fund	--	--	--	--	--	--
Debt Service ⁽²⁾	103.8	94.7	98.7	95.8	95.8	100.1
Carryforwards and Year-End Adjustments	482.9	227.9	517.2	1,592.5	2,649.9	--
Total Expenditures ⁽³⁾	<u>\$ 10,863.8</u>	<u>\$ 9,231.3</u>	<u>\$ 10,738.9</u>	<u>\$ 12,035.8</u>	<u>\$ 17,613.6</u>	<u>\$ 15,399.2</u>

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

Footnote* - Includes Single Business Tax and Michigan Business Tax.

- (1) Includes prior year ending balances carried forward into the succeeding year. The State’s carry forward process is described in the State’s Annual Comprehensive Financial Report.
- (2) Actual debt service paid on general obligation bonds may exceed this amount as a result of other sources being used to pay debt service on general obligation bonds. See “TABLE 13 – DEBT SERVICE OF STATE GENERAL OBLIGATION BONDS AS PERCENTAGE OF GENERAL PURPOSE PORTION OF GENERAL FUND REVENUES.”
- (3) The difference between Total Available Resources and Total Expenditures represents the unassigned General Fund/General Purpose balance, which consists of fund balance that has not been restricted, committed, or assigned to specific purposes within the General Fund.
- (4) Revenues and expenditures for Fiscal Years 2019 through 2023 are based on final revenues in the State of Michigan Annual Comprehensive Financial Report for those years. Projected revenues for FY 2024 are based on the May 2024 Consensus Revenue Estimating Conference and the Projected expenditures for FY 2024 equal total enacted appropriations through December 2023 (effective February 2024). Under the State’s Constitution and State Law, the State is required to maintain a balanced budget. See “BUDGET FOR FISCAL YEAR 2024” and “STATE FINANCIAL PROCEDURES – The Budget Process.”
- (5) “Other Financing Sources” primarily represents transfers from other funds, including the Liquor Purchase Revolving Fund and the State Lottery Fund.
- (6) “Other Resources” primarily represents budgetary carry forwards and prior year lapses. These resources were available to fund current year expenditures.
- (7) Two key legislative changes altered General Fund Use Tax collections. See “MAJOR FUNDS OF THE STATE – Use Tax” for a description of these changes.
- (8) Effective January 1, 2021, the Michigan flow-through entity (FTE) tax is levied on certain electing entities with business activity in Michigan. FTE tax is elected and levied on the Michigan portion of the positive business income tax base of an FTE and allows that entity to pay tax on certain income at the individual income tax rate.
- (9) FY 2023 and FY 2024 revenues shown assume a personal income tax rate of 4.05% for tax year 2023 and 4.25% for tax year 2024 consistent with AG Opinion No. 7320 referenced in LITIGATION AND RELATED MATTERS, State Income Tax Litigation herein. Based on May 2023 Consensus Revenue Estimating Conference, the 4.05% tax rate in tax year 2023 was projected to decrease personal income tax revenues by approximately \$428.2 million in FY 2023 and \$218.7 million in FY 2024. These are estimates and actuals will not be fully known until final 2023 tax filings are received.

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

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CHART A. GENERAL FUND GENERAL PURPOSE REVENUES
FY 2023 ACTUAL TOTAL: \$21,538.8 MILLION

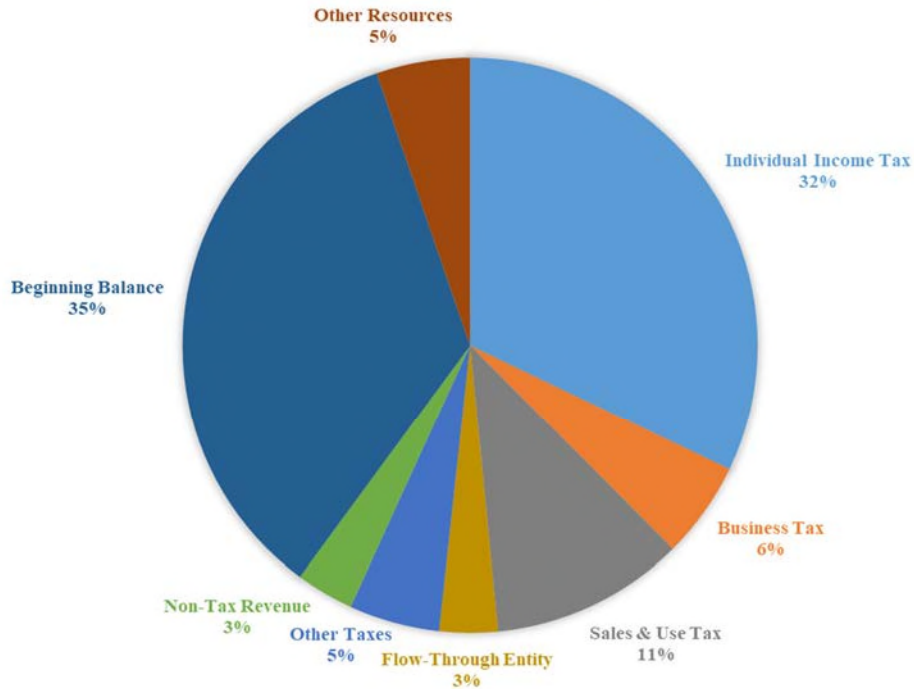
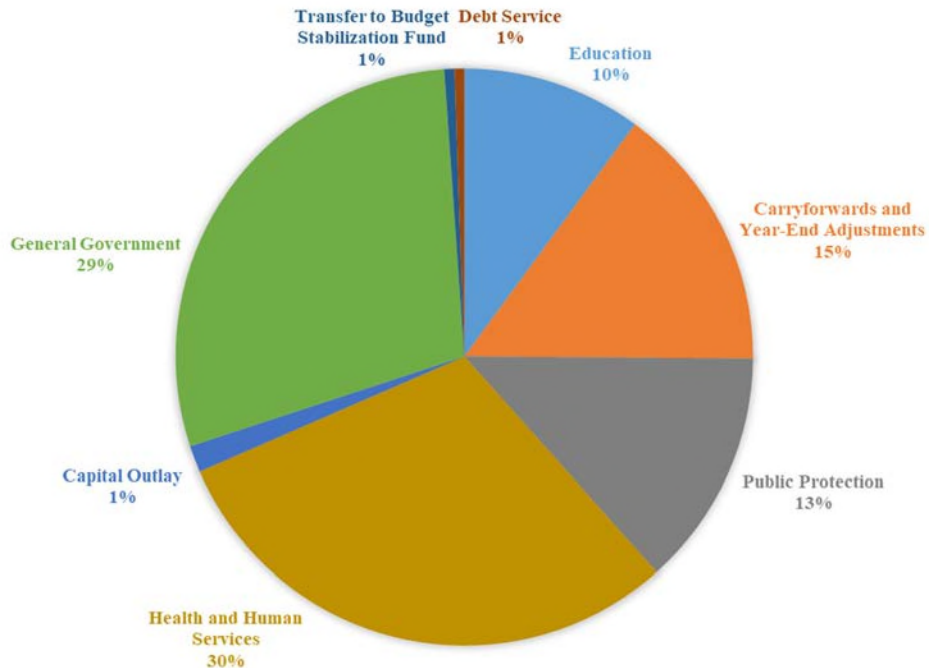


CHART B. GENERAL FUND GENERAL PURPOSE EXPENDITURES
FY 2023 ACTUAL TOTAL: \$17,613.6 MILLION



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.

TABLE 9
STATE EQUALIZED AND TAXABLE VALUATION BY CLASS AND USE
REAL AND PERSONAL PROPERTY VALUATIONS COMBINED
2019-2023
(Dollars Amounts in Millions)

	2019			2020			2021			2022			2023		
	SEV	Taxable	%*	SEV	Taxable	%*	SEV	Taxable	%*	SEV	Taxable	%*	SEV	Taxable	%*
Agriculture, Timber Cutover and Developmental	\$ 24,423	\$ 11,343	2.1%	\$ 24,836	\$ 11,567	2.0%	\$ 25,002	\$ 11,774	1.8%	\$ 25,760	\$ 12,208	3.7%	\$ 27,410	\$ 12,861	5.3%
Commercial	75,419	61,467	4.3	79,368	63,893	3.9	81,390	65,359	2.3	86,857	69,240	5.9	92,932	73,161	5.7
Industrial	25,833	22,938	1.3	26,598	23,260	1.4	27,990	24,238	4.2	29,170	24,974	3.0	30,687	26,022	4.2
Residential	319,599	254,155	4.6	341,437	265,125	4.3	360,665	275,333	3.9	387,275	292,665	6.3	435,538	316,068	8.0
Utility	13,641	13,593	8.3	14,629	14,583	7.3	15,561	15,510	6.4	16,699	16,660	7.4	17,780	17,748	6.5
Total	\$458,915	\$363,495	4.4	\$486,868	\$378,428	4.1	\$510,608	\$392,213	3.6	\$545,761	\$415,748	6.0	\$604,347	\$445,860	7.2
Real Property	\$429,674	\$334,314	4.4%	\$456,026	\$347,676	4.0%	\$478,587	\$360,229	3.6%	\$512,202	\$382,262	6.1%	\$570,502	\$412,080	7.8%
Personal Property	29,241	29,182	3.5	30,842	30,751	5.4	32,021	31,984	4.0	33,559	33,486	4.7	33,845	33,781	0.9
Total	\$458,915	\$363,495	4.4	\$486,868	\$378,428	4.1	\$510,608	\$392,213	3.6	\$545,761	\$415,748	6.0	\$604,347	\$445,860	7.2

* 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

UNEMPLOYMENT COMPENSATION

Unemployment compensation benefits in the State are financed primarily through unemployment taxes levied on employers. The moneys collected from this tax are deposited in the Unemployment Insurance Agency, of the Department of Labor and Economic Opportunity for transfer to the U.S. Treasury as part of the federal unemployment trust fund. The moneys in the special trust fund in Washington, D.C. are transferred back to the State at the request of the Unemployment Insurance Agency for the purpose of paying unemployment benefits to individuals meeting the eligibility requirements outlined in State law. As of September 30, 2023 the balance in the State's Unemployment Insurance Trust Fund was \$2,314.9 million.

Title XII of the Social Security Act provides that Federal Unemployment Trust Fund advances ("Federal Advances") may be made to a state when the state's account in the Federal Unemployment Trust Fund has insufficient funds to meet its benefit obligations. As of September 30, 2023, the State has no outstanding loans.

Provisions under the Michigan Employment Security Act allowed for a special assessment on employers to generate revenue to pay the principal and interest on the UOA Bonds. The UOA Bonds were fully paid during the State's 2020 fiscal year. Obligation Assessment receivables collected in fiscal year ended September 30, 2023, totaled \$1.4 million. The Obligation Assessment fund had employer receivables of \$734 thousand in fiscal year ended September 30, 2023, and the Agency is receiving collections for these even though assessments have been halted in 2020.

MAJOR FUNDS OF THE STATE

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

General Fund

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

Sources of General Purpose Revenues

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

Sales Tax - The State currently levies a 6 percent sales tax on retail sales with certain exceptions for items such as food and prescription drugs. A constitutional amendment is required to increase the sales tax rate. A ballot proposal approved by the electorate on March 15, 1994, increased the sales tax rate from 4 percent to 6 percent and constitutionally dedicated revenues from the 2-percentage point rate increase to

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

Use Tax - A 6 percent tax is currently levied by the State for the privilege of using, storing and consuming tangible personal property, services of intrastate and interstate telecommunications, transient hotel and motel rooms and rentals of tangible personal property. Two percent is dedicated to the School Aid Fund. The other 4 percent is deposited in the General Fund. Public Act 161 of 2014 reinstated a use tax on medical services provided by Medicaid managed care organizations. The HMO use tax is no longer collected after December 31, 2016. Public Act 80 of 2014 established an annual use tax earmark to the Local Community Stabilization Authority beginning in Fiscal Year 2016. The Local Community Stabilization Authority uses this tax revenue to reimburse local units for their loss in personal property taxes resulting from the newly enacted personal property tax reforms. The use tax earmark to the Local Community Stabilization Authority totaled \$491.5 million in Fiscal Year 2021. The earmark will be \$521.3 million for Fiscal Year 2022 and \$548.0 million for Fiscal Year 2023. Beginning October 1, 2016, and the first day of each calendar quarter thereafter, an amount equal to the state share of the tax at the additional rate of 2 percent from the use, storage or consumption of aviation fuel from the quarter that is two calendar quarters immediately preceding the current quarter is to be deposited in the state aeronautics fund (35 percent) and the qualified airport fund (65 percent).

Individual Income Tax - The State levies a flat rate tax on the adjusted gross income of individuals, estates, and trusts at 4.25 percent. For tax year 2023, the income tax rate is reduced from 4.25 percent to 4.05 percent, under the Michigan Income Tax Act, Act 281, Public Acts of 1967, MCL 206.51(1)(c). Public Act 281 requires, each year, the reduction of the individual income tax rate if the percentage increase in the total general fund/general purpose revenue for the immediately preceding fiscal year is greater than the inflation rate for the same period. See "LITIGATION AND RELATED MATTERS – State Income Tax Litigation" herein for more information. Effective October 1, 2019, the percentage of gross collections before refunds equal to 1.012 percent divided by the tax rate, 23.81 percent, is earmarked to the School Aid Fund. Effective October 1, 2023, the percentage of gross collections will rise in steps each fiscal year until it reaches 1.04 percent divided by the tax rate, 24.47 percent, beginning October 1, 2026. This increase in the percentage is to account for the expanded deduction for retirement or pension benefits incorporated in Public Act 4. In addition, \$69.0 million is deposited into the Renew Michigan Fund, beginning with Fiscal Year 2019 and each year thereafter. For Fiscal Year 2021 and each year following, \$600.0 million is deposited into the Michigan Transportation Fund. Public Act 4 of 2023 increased the state Earned Income Tax Credit from 6 percent of the federal credit to 30 percent, beginning with tax year 2022. The remaining collections are deposited into the General Fund. Under Public Act 135 of 2021, some Michigan business owners may elect to pay their individual income tax at the entity level, using a newly enacted Flow Through Entity Tax.

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

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

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

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

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

Corporate Income Tax - Public Act 38 of 2011 enacted a corporate income tax. The Corporate Income Tax (“CIT”) has a tax rate of 6 percent and the tax base is Federal taxable income excluding the Federal accelerated depreciation and domestic production activities deduction and after certain additions and subtractions. Only corporations are subject to this tax as are LLCs if they elect federally to be taxed as a corporation. Taxpayers with allocated or apportioned gross receipts less than \$350,000 do not have to file a return. A small business alternative tax credit is available under the CIT. Beginning with Fiscal Year 2022-2023 through Fiscal Year 2024-2025, from the revenue collected from the corporate income tax after the first \$1.2 billion, revenue is directed as follows. The amount up to \$50.0 million is directed to the Michigan Housing and Community Development Fund. After that earmark, the amount up to \$50.0 million is directed to the Revitalization and Placemaking Fund. After that earmark, the amount up to \$500.0 million is directed to the Strategic Outreach and Attraction Reserve Fund. Any collections exceeding \$1.8 billion are directed to the General Fund. Beginning with Fiscal Year 2025-2026, the first \$50.0 million collected under the CIT is directed to the Michigan Housing and Community Development Fund, with all remaining revenue directed to the General Fund.

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. In Fiscal Year 2018-19, Special Purpose revenues accounted for 71 percent of total revenue. In Fiscal Year 2019-20, Special Purpose revenues accounted for 74 percent of total revenue. In Fiscal Year 2020-21, Special Purpose revenues accounted for 73 percent of total revenue. In Fiscal Year 2021-22, Special Purpose revenues accounted for 72 percent of total revenue. In Fiscal Year 2022-23, Special Purpose revenues accounted for 74 percent of total revenue.

The federal aid share accounted for 72 percent of Special Purpose revenues in Fiscal Year 2018-19. In FY 2019-20, the federal aid share increased to 76 percent. In Fiscal Year 2020-21, the federal aid share increased to 78 percent. In Fiscal Year 2021-22, the federal aid share increased to 79 percent. In Fiscal Year 2022-23, the federal aid share decreased to 75 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

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

The School Aid Fund

Sources of Revenue

Under constitutional and statutory provisions, the School Aid Fund receives the proceeds of certain taxes. Portions of the State’s sales, use, income, and tobacco taxes are earmarked to the School Aid Fund. The state education 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.

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, 2019, through 2023. 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, 2019, THROUGH 2023
(Dollar Amounts in Millions Reported on a Cash Basis)**

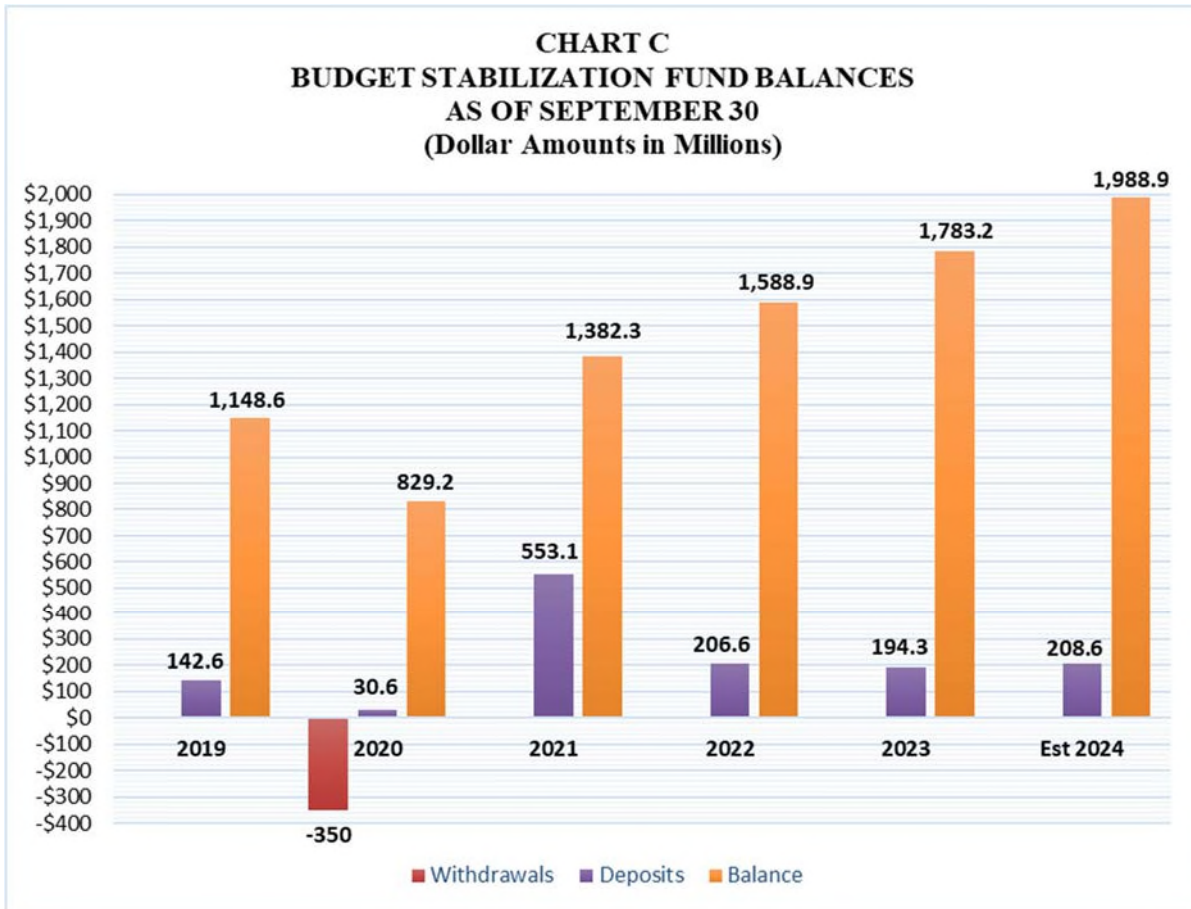
September 30	Combined General Fund and School Aid Fund	Budget Stabilization Fund	Other Funds ⁽¹⁾	Retirement Funds Invested Short- Term ⁽²⁾	Bond Funds ⁽³⁾	Total Common Cash
2019	\$956.4	\$1,148.6	\$4,157.7	\$251.6	\$94.1	\$6,608.4
2020	4,288.5	829.1	5,128.0	385.0	1,049.7	11,680.4
2021	11,052.5	1,382.3	5,636.5	365.7	1,784.6	20,221.6
2022	19,446.4	1,588.9	6,616.5	581.2	1,112.4	29,345.4
2023	18,335.3	1,780.3	7,548.0	654.0	1,656.2	29,973.8

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

SOURCE: State Department of Treasury

Budget Stabilization Fund

In 1977, the State enacted legislation which created the Counter Cyclical Budget and Economic Stabilization Fund (“BSF”). This fund is designed to accumulate balances during years of significant economic growth which may be utilized in years when the State’s economy experiences cyclical downturns or unforeseen fiscal emergencies. During Fiscal Year 2011, the State implemented Governmental Accounting Standards Board (“GASB”) Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definition*. As a result, the BSF is classified and accounted for as a sub fund of the General Fund. In Fiscal Year 2014 \$194.8 million was withdrawn to fund the State’s contribution to the Detroit bankruptcy agreement. This withdrawal from the BSF in Fiscal Year 2014 is being repaid to the BSF beginning in Fiscal Year 2015 with annual payments of \$17.5 million from tobacco settlement revenues until repaid. A \$265 million deposit was appropriated in Fiscal Year 2018, and a \$100 million deposit was appropriated for Fiscal Year 2019. The fund balance at the end of Fiscal Year 2020 was \$829.2, reflecting a \$350 million withdrawal from the BSF as part of budget balancing actions to address the large shortfall projected with the May revenue forecast. A total of \$535 million was appropriated for deposit to the BSF in Fiscal Year 2021, and a deposit of \$180 million was appropriated in Fiscal Year 2022. Additional deposits of \$100 million were funded in both Fiscal Year 2023 and Fiscal Year 2024.



(1) Deposits include common cash earnings.

School Bond Loan Fund

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

Other Bond Proceeds Funds

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

Special Revenue Funds

Michigan Transportation Fund

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

Comprehensive Transportation Fund

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

Debt Service Funds

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

Capital Projects Funds

State Trunk Line Fund

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

Combined Recreation Bond Fund

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

BUDGET FOR FISCAL YEAR 2024

The Fiscal Year 2024 budget bills were signed on July 20 and July 31, 2023. Supplemental spending bills were signed December 18, 2023, effective February 13, 2024. The revenue estimates on which the Fiscal Year 2024 budget was based were estimated at the May 2023 Consensus Revenue Estimating Conference. The revenue estimates adopted at the January 2023, May 2023, January 2024, and May 2024 conferences can be found at www.michigan.gov/treasury and www.Michigan.gov/CREC.

Revenues – May 2024 Consensus

Net General Fund - FY 2023-24 General Purpose revenue generated from enacted ongoing sources and estimated at the Consensus Revenue Estimating Conference is estimated to be \$13,948.8 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 \$17,308.7 million, as shown in Table 8.

Personal Income Tax - FY 2023-24 income tax collections will total an estimated \$11,416.4 million. The General Fund - General Purpose portion of net income tax collections will equal an estimated \$7,195.4 million.

Michigan Business Tax, Corporate Income Tax and Single Business Tax - The MBT will pay out more in refunds than will be collected in revenue in Fiscal Year 2023-24 and as a result, net collections are estimated at a negative \$494.6 million. The CIT is expected to generate \$1,625.0 million in Fiscal Year 2023-24 for the General Fund. The SBT is expected to be zero. All of the loss in MBT revenue is paid from the General Fund.

Sales Tax - Gross sales tax collections are forecast to total \$10,487.3 million in Fiscal Year 2023-24. The General Fund - General Purpose share of sales tax revenue will total an estimated \$1,003.5 million.

Use Tax - Gross use tax collections are forecast to total \$2,815.0 million in Fiscal Year 2023-24. The General Fund - General Purpose portion of use tax collections will total an estimated \$1,280.4 million, which is net of the use tax earmarked to the Local Community Stabilization Authority of \$561.7 million.

ECONOMIC OUTLOOK FOR 2024 AND 2025

The U.S. economy as measured by real Gross Domestic Product (“GDP”) grew 2.5 percent in 2023. Real GDP is forecast to rise 2.4 percent in 2024 and increase 2.0 percent in 2025. The U.S. annual average unemployment rate was 3.6 percent in 2023. The national unemployment rate is forecast to rise to 4.0 percent in 2024 and increase to 4.2 percent 2025. U.S. light vehicle sales rose from 13.8 million units in 2022 to 15.5 million units in 2023. Light vehicle sales are projected to rise to 16.0 million units in 2024 and to 16.4 million units in 2025.

The U.S. Consumer Price Index (“CPI”) rose 4.1 percent in 2023 and is expected to increase 3.0 percent in 2024 and then rise 2.4 percent in 2025. Ninety-day Treasury-Bill rates averaged 5.1 percent in 2023 and are expected to average 5.0 percent in 2024 and 4.4 percent in 2025.

Total Michigan wage and salary employment increased 1.8 percent in 2023. Michigan wage and salary employment is projected to rise 0.8 percent in 2024 and 1.0 percent in 2025. The State's annual average unemployment rate fell from 4.1 percent in 2022 to 3.9 percent in 2023. The annual average rate is expected to rise to 4.2 percent in 2024 and increase to 4.3 percent in 2025.

After rising 4.7 percent in 2023, Michigan personal income is projected to increase 3.5 percent in 2024 and then rise 4.4 percent for 2025.

Prices as measured by the Detroit CPI, rose 5.8 percent in 2023 and are projected to rise 2.6 percent in 2024 and 2.5 percent in 2025. As a result, real (inflation adjusted) personal income decreased 1.0 percent in 2023 but is forecast to rise 0.9 percent in 2024 and increase 1.9 percent in 2025.

The above summary is based on the executive summary from the May 2024 Consensus Revenue Estimating Conference, which 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.

Flint Pending Litigation

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

On August 20, 2020, the Attorney General announced a preliminary \$600 million settlement to settle the related civil cases against the State, its agencies, and its past and current employees, with the State paying the settlement amount by annual appropriations over 30 years to the Special Purpose FWC Settlement Entity (first appropriation was made in fiscal year 2022). An amended settlement agreement was entered on November 16, 2020, and submitted to the federal court as part of a motion seeking

preliminary approval of the settlement and certification of various subclasses for settlement purposes. The federal court granted that motion on January 21, 2021, and entered an amended final judgment and order of dismissal with prejudice on March 3, 2022. The court entered an order on May 12, 2023, finding that all the terms had been met and declaring the settlement final. The claims process necessary to determine how much money will be awarded to each claimant is currently underway. As a result of the final judgment, all but one of the civil cases filed against the State arising out of the Flint Water Crisis have been dismissed. The last remaining case involves a single plaintiff that allegedly died of Legionnaire's Disease acquired during the Flint Water Crisis and who opted not to accept a monetary award under the settlement agreement. The possibility exists that additional lawsuits may be brought against the State by individuals that were minors or were incapacitated and did not accept monetary awards under the settlement agreement. At this time, the State has not been advised of any such additional lawsuits.

State Income Tax Litigation

Under the Michigan Income Tax Act, Act 281, Public Acts of 1967, MCL 206.51(1)(c) reduces the individual income tax rate if general fund/general purpose revenue exceeds the capped revenue amount, based on the inflation rate. For tax year 2023, the tax rate was reduced under this provision from 4.25% to 4.05%, a reduction that has been determined by the Michigan Attorney General to apply for one year only; the 2023 tax year. See <https://www.ag.state.mi.us/opinion/datafiles/2020s/op10399.htm>. Litigation has been initiated in *Associated Builders et al. v Treasurer of Michigan, Rachael Eubanks*, filed August 25, 2023, in the Michigan Court of Claims, Docket No. 23-000120-MB, claiming that the rate cut required by this provision would apply beyond the 2023 tax year, unless and until further reduced by application of the provision. Opinions issued by both the Michigan Court of Claims ([opinion](#) issued December 21, 2023) and Michigan Court of Appeals ([opinion](#) issued March 7, 2024) have ruled that the 4.05% rate applies for the 2023 tax year only. On March 25, 2024, Plaintiffs filed an application for leave to appeal to the Michigan Supreme Court, Treasury filed a response asking that the Court deny Plaintiffs' application, which remains pending as of the date of this publication. If the Michigan Supreme Court grants leave to appeal and subsequently reverses the Court of Appeals, then, absent legislative action, the income tax rate would be 4.05% and could decrease further (if the statutory trigger is met) going forward, thereby impacting current and future income tax revenues.

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, 2023.

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, 2023.

For Fiscal Years 2019, 2020, 2021, 2022, and 2023 no general obligation notes for cash flow purposes were issued. For Fiscal Year 2024 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, 2023
(Dollar Amounts in Thousands)**

Year Ending Sept 30	Principal Due	Interest Due	Annual Debt Service⁽¹⁾	Cumulative Debt Service	Cumulative %
2024	\$168,355	\$32,792	\$201,147		
2025	86,740	26,764	113,504		
2026	85,177	23,282	108,459		
2027	80,621	20,242	100,863		
2028	63,686	16,912	80,598	\$604,571	57.60%
2029	66,507	14,070	80,577		
2030	44,179	19,820	63,999		
2031	53,530	9,447	62,977		
2032	55,410	7,526	62,936		
2033	49,855	5,516	55,371		
2034	13,300	3,728	17,028	\$947,459	90.27%
2035	13,865	3,162	17,027		
2036	14,455	2,569	17,024		
2037	14,870	2,154	17,024		
2038	15,410	1,614	17,024		
2039	15,970	1,055	17,025		
2040	<u>16,425</u>	<u>596</u>	<u>17,021</u>	\$1,049,604	100.00%
Total	<u>\$858,355</u>	<u>\$191,249</u>	<u>\$1,049,604</u>		

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

⁽²⁾ Does not include accreted value of Capital Appreciation bonds.

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, 2019, through 2023 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, 2019 THROUGH 2023
(Dollar Amounts in Millions)

Fiscal Year Ended September 30	Bonds Issued	Bonds Matured	Bonds Outstanding End of Period ⁽²⁾
2019 ⁽¹⁾	-	\$144.1	\$1,358.4
2020	\$152.8	153.1	1,357.4
2021 ⁽¹⁾	-	159.7	1,196.6
2022 ⁽¹⁾	-	159.5	1,035.7
2023 ⁽¹⁾	-	166.6	868.3
TOTAL	<u>\$152.8</u>	<u>\$783.0</u>	

- (1) The State did not issue any debt to fund the Environmental Programs during FY 2019, 2021, 2022, and 2023.
(2) Capital appreciation bonds are recorded at their accreted year-end book value.

SOURCE: State Department of Treasury

TABLE 13
DEBT SERVICE OF STATE GENERAL OBLIGATION BONDS
AS PERCENTAGE OF GENERAL PURPOSE PORTION OF
GENERAL FUND REVENUES
AS OF SEPTEMBER 30, 2019 THROUGH 2023
(Dollar Amounts in Millions)

	2019	2020	2021	2022	2023
Debt Service of General Obligation Bonds	\$ 229.1	\$ 205.5	\$ 209.2	\$ 206.3	\$ 206.4
General Purpose Portion of General Fund Revenues (Total Available Resources)	\$ 11,780.0	\$ 11,594.4	\$ 15,101.7	\$ 19,499.3	\$ 21,538.8
Debt Service as Percent of Total Available Resources	1.9%	1.8%	1.4%	1.1%	1.0%

SOURCE: State Department of Treasury

TABLE 14

**STATE OF MICHIGAN GENERAL OBLIGATION DEBT
AS OF SEPTEMBER 30, 2023
(Dollar Amounts in Thousands)**

	<u>Total Authorization</u>	<u>Remaining Authorization*</u>	<u>Outstanding Balance⁽³⁾</u>
General Obligation Notes ⁽¹⁾			\$ 0
Environmental Protection Bonds	\$ 660,000	\$ 0	8,869
Recreation Bonds	140,000	0	0
School Bonds and Notes	(2)	(2)	252,849
Clean Michigan Initiative Bonds	675,000	0	118,371
Great Lakes Water Quality Bonds	1,000,000	200,000	<u>478,265</u>
TOTAL GENERAL OBLIGATION DEBT			<u>\$ 858,354</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.

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

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

SOURCE: State Department of Treasury

School Bond Qualification and Loan Program

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

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, 2023, outstanding principal of and interest on school district loans from the State totaled approximately \$1,032.4 million. See Tables 15 and 16 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 15
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
2019	\$2,190,230	\$2,878,156	\$13,817,896
2020	2,753,735	1,787,154	14,784,477
2021	2,024,210	2,648,409	14,160,278
2022	1,528,615	1,496,297	14,192,596
2023	2,082,355	1,294,901	14,980,050

SOURCE: Municipal Advisory Council of Michigan

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TABLE 16

**LOCAL SCHOOL DISTRICT BONDS
“QUALIFIED” UNDER STATE SCHOOL BOND LOAN PROGRAM
TOTAL DEBT SERVICE AS OF DECEMBER 31, 2023**

Year Ending December 31,	Principal Due	Interest	Annual Debt Service ⁽¹⁾	Cumulative Debt Service	Percent of Total
2024	\$1,036,669,298	\$601,492,772	\$1,638,162,070		
2025	1,025,648,298	563,421,866	1,589,070,164		
2026	1,043,919,298	524,967,020	1,568,886,318		
2027	1,113,629,923	485,658,819	1,599,288,742		
2028	956,388,000	442,722,230	1,399,110,230		
2029	907,775,000	407,509,149	1,315,284,149	\$9,109,801,673	42.82%
2030	821,355,000	373,490,512	1,194,845,512		
2031	733,525,000	342,215,761	1,075,740,761		
2032	678,445,000	313,751,803	992,196,803		
2033	644,385,000	286,887,287	931,272,287		
2034	584,635,000	260,862,702	845,497,702		
2035	521,115,000	236,223,805	757,338,805	\$14,906,693,543	70.07%
2036	485,135,000	213,669,303	698,804,303		
2037	475,110,000	192,518,172	667,628,172		
2038	458,400,000	171,669,847	630,069,847		
2039	427,660,000	151,478,474	579,138,474		
2040	394,215,000	132,851,559	527,066,559		
2041	372,865,000	116,151,037	489,016,037	\$18,498,416,935	86.95%
2042	339,395,000	100,394,443	439,789,443		
2043	317,360,000	85,929,334	403,289,334		
2044	289,435,000	72,338,005	361,773,005		
2045	263,410,000	59,880,478	323,290,478		
2046	257,630,000	48,499,454	306,129,454		
2047	219,775,000	37,240,091	257,015,091	\$20,589,703,740	96.78%
2048	189,405,000	27,515,038	216,920,038		
2049	143,035,000	19,107,958	162,142,958		
2050	119,055,000	12,853,533	131,908,533		
2051	80,115,000	7,712,408	87,827,408		
2052	63,605,000	4,007,180	67,612,180		
2053	<u>16,955,000</u>	<u>821,312</u>	<u>17,776,312</u>	\$21,273,891,169	100.00%
TOTAL	<u>\$14,980,049,817</u>	<u>\$6,293,841,352</u>	<u>\$21,273,891,169</u>		

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

SOURCE: Municipal Advisory Council of Michigan

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

State-Related Revenue and Special Obligation Debt

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

Department of Transportation (“MDOT”)

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

The implementing statute also authorizes the State to issue notes in anticipation of the receipt of grants from the United States of America or any agency or instrumentality thereof and to pledge the proceeds of such grants and investment earnings thereon for the payment of the principal, interest and redemption premiums on such notes.

Michigan Road Funding Package Enacted in 2015

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

Commencing January 2017, the funding was dedicated on an annual basis for transportation purposes in Michigan. Approximately one-third flows to MDOT and two-thirds to counties, cities, and villages in Michigan. Such amount is funded from an increase in fuel taxes for gasoline and diesel, and from a 20 percent increase in vehicle registration fees. Effective January 1, 2022, the Department of Treasury can increase the cents-per-gallon rate annually based on the lesser of the inflation rate or 5 percent. On January 1, 2024, the rate increased to 30.0 cents per gallon from 28.6 cents per gallon in calendar year 2023.

Additionally, the funding package and subsequent legislation provides for the redirection of income tax collections to be deposited into the MTF for allocation among MDOT, counties, cities, and villages for

state and local highway programs in the amounts of \$264 million in 2019, \$468 million in 2020, and \$600 million annually since 2021.

Excise tax on recreational marijuana was allocated to the Michigan Transportation Fund for distribution to the State Trunkline fund, county road commissions, and cities and villages. Marijuana excise tax allocated to the Michigan Transportation Fund was \$69.4 million in fiscal year 2022, and \$101.6 million in fiscal year 2023. The projected revenue for the next three fiscal years is \$115.6 million in 2024, \$121.7 million in 2025, and \$127.0 million in 2026.

State Building Authority (“SBA”)

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

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

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

TABLE 17*

**DEBT SERVICE SCHEDULE OF STATE
BUILDING AUTHORITY REVENUE
BONDS PAYABLE AS A GENERAL FUND
CONTRACTUAL OBLIGATION
AS OF SEPTEMBER 30, 2023
(Dollar Amounts in Thousands)**

Year Ending September 30	Annual Debt Service
2024	\$192,441
2025	217,667
2026	214,850
2027	219,898
2028	217,506
2029-2033	1,088,933
2034-2038	1,027,836
2039-2043	662,802
2044-2048	477,396
2049-2053	312,692
2054-2058	143,978
TOTAL	<u>\$4,775,999</u>

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 \$0 million of outstanding State Park Revenue Bonds as of September 30, 2023.

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.

* Interest on variable rate bonds assume interest rates as of 9/30/23 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, 2023, MSHDA had a \$0 Revolving Line of Credit with U.S. Bank.

All MSHDA general obligation bonds and notes are secured by a Capital Reserve Capital Account which as of September 30, 2023, contained approximately \$97.4 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, 2023, totaled approximately \$150.1 million in investments, with an additional \$181.8 million in a MSHDA Security Arrangement. In the event of any deficiency in the Capital Reserve Funds, MSHDA is obligated to transfer adequate moneys from the Capital Reserve Capital Account. If sufficient moneys are not available to make up such a deficiency, the State Housing Development Authority Act requires MSHDA to certify to the Governor and the Director of the Department of Technology, Management and Budget on or before September 1 of any year the amount necessary to remedy such deficiency for inclusion in the annual State budget. Such an appropriation is subject to a two-thirds vote of the Legislature. MSHDA bonds are not a debt of the State. The State Supreme Court has advised, with respect to the Act creating MSHDA, that the State has no legal obligation to appropriate moneys to the Capital Reserve Capital Account.

In addition to its general obligation notes and bonds, MSHDA is authorized to issue limited obligation notes and bonds. Such notes and bonds are not general obligations of MSHDA and are not subject to the capital reserve make-up provisions described in the preceding paragraph. As of September 30, 2023, approximately \$259.8 million of such limited obligation notes and bonds were outstanding.

Michigan Tobacco Settlement Finance Authority (“MTSFA”)

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

The MTSFA bonds are not a debt or liability of the State or any agency or instrumentality of the State, other than MTSFA. The MTSFA is not authorized to incur any indebtedness on behalf or in any way obligate the State or any political subdivision of the State. As of September 30, 2023, MTSFA had \$1,121.6 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 were special revenue obligations of the MFA secured solely by special assessments levied against contributing employers. The UOA Bonds were fully paid during the State’s 2020 fiscal year.

The UOA Bonds were 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.

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.

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 and USTA 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, (ii) a maximum of 7% of the Fund’s projected revenue in any year for the reasonable administrative cost of implementing Part 215, and (iii) payment of approved claims for corrective action costs.

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TABLE 18

STATEMENT OF SPECIAL OBLIGATION AND STATE-RELATED REVENUE DEBT
 AMOUNTS OUTSTANDING AS OF SEPTEMBER 30, 2023
 (Dollar Amounts in Thousands)

	<u>As of September 30, 2023</u>			<u>Amount Outstanding</u>				
	<u>Total</u>	<u>Total</u>	<u>Remaining</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
	<u>Authorization</u>	<u>Issued</u>	<u>Authorization</u>					
State Related Debt:								
Department of Transportation Dedicated Tax Obligation Act 51, P.A. 1951 State Trunkline Fund	(1)	\$6,915,260	(1)	\$463,520	\$1,159,100	\$1,842,610	\$1,734,590	\$2,846,180
Comprehensive Transportation	(1)	<u>1,159,972</u>	(1)	<u>60,875</u>	<u>49,540</u>	<u>37,610</u>	<u>25,055</u>	<u>22,515</u>
Total Transportation Tax Dedicated Bonds	(1)	\$8,075,232	(1)	\$524,395	\$1,208,640	\$1,880,220	\$1,759,645	\$2,868,695
MDOT Grant Anticipation Bonds and Notes	(1)	1,974,135	(1)	595,130	542,310	513,525	483,235	442,675
Revenue Bonds Payable from General Fund Contractual Obligations⁽²⁾								
State Building Authority ⁽³⁾	\$2,700,000	\$8,141,300	\$807,300	2,909,745	2,913,775	3,030,785	3,090,885	3,045,750
Department of Natural Resources State Park Revenue Bonds	100,000	<u>15,500</u>	84,500	<u>4,305</u>	<u>3,300</u>	<u>2,250</u>	<u>1,150</u>	<u>--</u>
TOTAL STATE RELATED DEBT		<u>\$18,206,167</u>		<u>\$4,033,575</u>	<u>\$4,668,025</u>	<u>\$5,426,780</u>	<u>\$5,334,915</u>	<u>\$6,357,120</u>
Non-State Related Debt:								
Michigan State Housing Development Authority General Obligation Bonds ⁽⁴⁾	\$5,000,000	(4)	(4)	\$2,981,320	\$3,194,370	\$3,689,977	\$3,700,093	\$4,685,983
Michigan Tobacco Settlement Finance Authority	(5)	1,215,900	(5)	1,156,636	1,169,777	1,150,952	1,133,160	1,121,578
Michigan Finance Authority Unemployment Obligation Assessment Bonds	(6)	<u>6,240,135</u>	(6)	<u>174,644</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
TOTAL NON- STATE RELATED DEBT		<u>\$7,456,035</u>		<u>\$4,312,600</u>	<u>\$4,364,147</u>	<u>\$4,840,929</u>	<u>\$4,833,253</u>	<u>\$5,807,561</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 September 30, 2023, was \$54.0 million. The current maximum authorized amount of Commercial Paper Notes is \$225 million.

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

- (4) The MSHDA’s statutory debt limit as of September 30, 2023, was \$5.0 billion (of outstanding debt), inclusive of limited obligation debt. As outstanding debt is retired, it may be replaced with new debt.
- (5) In 2006 the Michigan Tobacco Settlement Finance Authority (MTSFA) was authorized to issue \$490.5 million in taxable bonds with a pledge of 13.34% of the State’s future Tobacco Settlement Revenues (TSRs) payable on or after April 1, 2008, as security for the bonds. In 2007 the MTFSA was authorized to issue an additional \$523.0 million in taxable bonds with a pledge of 10.77% of the State’s TSRs payable on or after May 15, 2009, as security for the bonds. In 2008 the MTFSA issued an additional \$202.4 million in bonds. Proceeds of the bonds were used to refund existing 2006 bonds and deposit \$60 million to the General Fund. In 2020, the Michigan Finance Authority (MFA) issued \$851.4 million in bonds. The proceeds of the bonds were used to refund/exchange Series 2006, Series 2007, and Series 2008 bonds. MTSFA has issued a total of \$2,067 million in bonds pledging 24.11% of the State’s TSRs.
- (6) Unemployment Obligation Assessment (UOA) Bonds were special revenue obligations of the Michigan Finance Authority (MFA) secured solely by special assessments levied against contributing employers. In 2011, the MFA issued \$3,323 million in UOA Bonds. In 2012, the MFA issued \$2,917 million in UOA Bonds and together with additional proceeds refunded in full the 2011 UOA Bonds. The bonds were paid in full on December 31, 2019.

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

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Debt Ratios

The following table sets forth certain debt ratios for State general and special obligation bonds as of September 30, 2019, through 2023.

TABLE 19
CERTAIN STATE BONDED DEBT RATIOS

Reference Date:	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Total General Obligation Debt (000's)	\$ 1,344,485	\$ 1,344,151	\$ 1,184,446	\$ 1,024,967	\$ 858,355
Total Special Obligation Debt (000's)	\$ 4,033,575	\$ 4,668,025	\$ 5,426,780	\$ 5,334,915	\$ 6,357,120
Population (000's)	9,987	10,078	10,038	10,033	10,037
Equalized Value (000,000's)	\$ 458,915	\$ 486,868	\$ 510,608	\$ 545,761	\$ 604,347
Personal Income (000,000's fiscal year)	\$ 485,812	\$ 523,648	\$ 560,695	\$ 566,431	\$ 592,267
General Obligation Debt:					
Per Capita Debt to State	\$ 134.62	\$ 133.37	\$ 118.00	\$ 102.16	\$ 85.52
Equalized Value Debt to Personal Income	0.29%	0.28%	0.23%	0.19%	0.14%
Debt to Personal Income	0.28%	0.26%	0.21%	0.18%	0.14%
Special Obligation Debt:					
Per Capita Debt to State	\$ 403.88	\$ 463.19	\$ 540.62	\$ 531.74	\$ 633.37
Equalized Value Debt to Personal Income	0.88%	0.96%	1.06%	0.98%	1.05%
Debt to Personal Income	0.83%	0.89%	0.97%	0.94%	1.07%

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, 2022, 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 2021-22 Required Contribution Rate:						
State Plan Members	N/A ⁽¹⁰⁾ 0.0-7.0% ⁽⁴⁾	23.78-33.86% 4.0%	95.86-111.66% 0.0-4.0% ⁽⁵⁾	⁽¹⁾ 0% ⁽⁶⁾	⁽²⁾ 3.5-7.0%	⁽³⁾ 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-15 years as of 10/1/2023	Pension-13 years as of 10/1/2023	Pension-15 years as of 10/1/2023	Pension-10 years	Pension-13 years as of 10/1/2023	15 years as of 10/1/2023
	OPEB-15 years as of 10/1/2023	OPEB-13 years as of 10/1/2023	OPEB-15 years as of 10/1/2023	OPEB-19 years	OPEB-13 years as of 10/1/2023	
Asset Valuation Method	Pension-fair value	Pension-fair value	Pension-fair value	Pension-fair value	Pension-fair value	Pension-fair value
	OPEB-fair value	OPEB-fair value	OPEB-fair value	OPEB-fair value	OPEB-fair value	
Actuarial Assumptions: Wage Inflation Rate	2.75%	2.75%	2.75%	4.0%	2.75%	2.75%
Assumed Rate of Investment Return ⁽⁸⁾	Pension (MIP & Basic) 6.0% Pension Plus- 6.0% Pension Plus 2- 6.0% ⁽⁹⁾ OPEB-6.0%	Pension-6.0% OPEB-6.2%	Pension Plus- 6.15% Non Pension Plus-6.15% OPEB-6.25%	Pension-7.0% OPEB-4.0%	Pension-6.0% OPEB-6.0%	6.0%
Projected Salary Increases	2.75-11.55%	2.75-11.75%	3.27-87.75%	4.0%	3.25%	2.75%
Cost-of-Living Adjustments	3% annual non- compounded for MIP members	3% annual non- compounded maximum annual increase of \$300 for those eligible	2% annual non- compounded maximum annual increase of \$500 for those eligible	4% annual (compounded, except annual 4% non- compounded for members first elected after January 1, 1995)	Assumed 3.25% compounded for those eligible	Assumed 2.75% compounded for those eligible

(1) No employer contributions were made in FY2022 for the pension fund.

(2) The JRS annual employer pension and OPEB contributions are determined by the independent actuary. The contributions are transferred annually into the JRS trusts and not charged as a contribution rate. In Fiscal Year 2021-22, the State made a required contribution to the pension plan of \$1,517,097 and \$241,689 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 2021-22, the State contributed \$875,000 to the MRP pension plan.
- (4) Basic Plan members contribute 0.0–4% of salary. Members in the Member Investment Plan contribute 3%–7% depending on their date of hire. Pension Plus members contribute 3.0-6.4%. Pension Plus 2 members hired after February 1, 2018 contribute 50% or normal cost and UAAL. The Pension Plus 2 member contribution rate is currently 6.2%.
- (5) The State Troopers’ union and the State of Michigan negotiated a new retirement plan for new State Troopers and Sergeants. As a result, a State Trooper who became a member of SPRS on or after June 10, 2012, is a Pension Plus member. The Pension Plus pairs a guaranteed retirement income (Defined Benefit) with a flexible and transferable retirement savings (Defined Contribution) account. Public Act 674 of 2018 codified the Pension Plus plan in the SPRS statute.
- (6) For the LRS, there are no active member contributions for pension benefits and 2 active members for OPEB benefits.
- (7) Public Acts 181 and 674 of 2018 enacted a gradual reduction to the payroll growth assumption to 0% in 50 basis point increments beginning with the Sept. 30, 2019 Pension and OPEB valuations for MPSERS and SPRS. It is expected that it will take 7 years for the transition from level-percent to level-dollar amortization to be completed. Public Acts 220 of 2022 and 198 of 2023 accelerated this reduction for MPSERS, and MPSERS will be fully transitioned to level-dollar amortization by the Sept. 30, 2023 valuations.
- (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. Excess investment gains were again used in 2021 to reduce the AROR in all State plans under the dedicated gains policy.
- (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.
- (10) See MPSERS Employer Rate Cap under MPSERS.

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, 2018	Percent Funded	Sept. 30, 2019	Percent Funded	Sept. 30, 2020	Percent Funded	Sept. 30, 2021	Percent Funded	Sept. 30, 2022	Percent Funded
MPSERS	\$32,745.0	60.7%	\$33,779.7	60.4%	\$33,750.3	60.9%	\$34,423.6	64.1%	\$35,067.1	64.3%
SERS	6,501.0	65.8	6,547.0	65.4	6,446.3	65.6	6,109.3	69.1	5,951.2	69.6
SPRS	771.8	66.0	800.7	65.5	829.1	65.1	857.1	67.2	895.7	66.5
MRP	39.6	30.3	3.9	93.6	2.4	96.0	0.7	98.8	13.5	82.4
LRS	67.9	64.3	67.5	64.4	69.4	62.6	68.1	62.4	77.1	57.0
JRS	6.1	97.8	10.1	96.3	10.1	96.3	(0.8)	100.3	(5.0)	102.0
TOTALS	<u>\$40,063.5</u>		<u>\$41,208.9</u>		<u>\$41,107.6</u>		<u>\$41,458.0</u>		<u>\$41,999.6</u>	

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

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

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

TABLE 22

**MEASUREMENT OF NET PENSION LIABILITY
(Dollar Amounts in Thousands)
September 30, 2023**

Retirement Fund	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (assets)	Fiduciary Net Position as Percentage of Total Pension Liability
MPSERS	\$ 96,111,949	\$ 63,722,816	\$ 32,389,133	66.30%
SERS	18,999,138	13,344,115	5,655,023	70.24
SPRS	2,729,411	1,870,891	858,520	68.55
MRP	78,213	63,427	14,786	81.10
LRS	215,377	84,764	130,613	39.36
JRS	252,304	261,805	(8,501)	103.77
TOTALS	<u>\$ 118,386,392</u>	<u>\$ 79,347,818</u>	<u>\$ 39,039,574</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 pension and OPEB 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 pension and OPEB UAAL dollar amounts 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. Public Acts 220 of 2022 and 198 of 2023 accelerated this reduction of the payroll growth assumption, and MPSERS will be fully transitioned to level-dollar amortization by the Sept. 30, 2023 valuations.

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 2021-22 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 \$1,468.5 million from the School Aid Fund.

SERS

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

Pension Reform of 2012

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

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

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

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

401K Deferred Compensation Fund and Defined Contribution Retirement Fund

General

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

Eligibility

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

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

Contributions

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

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

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

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

457 Deferred Compensation Plan

General

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

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

Eligibility

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

Contributions

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

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

Other Post-Employment Benefits

Benefit provisions of the postemployment benefit plan are established by State statute, which may be amended. Public Act 240 of 1943, as amended, establishes eligibility and benefit provisions for the OPEB plan. Defined Benefit (Tier 1) members are eligible to receive health, prescription drug, dental, and vision coverage on the first day they start receiving pension benefits. Defined Contribution (Tier 2) participants who elected to retain the graded premium subsidy benefit under the reform elections of Act 264, are also eligible to receive subsidized health, prescription drug, dental and vision coverage after terminating employment, if they meet eligibility requirements. There is no provision for ad hoc or automatic increases. The State Employees' Retirement Act requires joint authorization by the Department of Technology, Management and Budget and the Civil Service Commission to make changes to retiree medical benefit plans. Defined Contribution (Tier 2) participants who elected the Personal Healthcare Fund under Act 264, and those hired on or after January 1, 2012, are not eligible for any subsidized health, prescription drug, dental or vision coverage in retirement, but may purchase it at their own expense (certain conditions apply). Former non-vested members of the DB plan who are reemployed by the state on or after January 1, 2014, are not eligible for retiree health insurance coverage premium but will become a participant in the Personal Healthcare Fund. Public Act 185 of 2010 required that each actively employed member or qualified participants of the system, beginning with the first pay date after November 1, 2010, and ending September 30, 2013, contribute an amount equal to 3.0% of the member's or qualified participant's compensation toward retiree healthcare. Act 264 rescinded that provision and refunded any collected contributions to all members. In addition to member contributions, the employer funds OPEB benefits for both Tier 1 and Tier 2 members on a prefunded basis. Retirees with the premium subsidy benefit contribute 20% of the monthly premium amount for the health (including prescription coverage), dental and vision coverage. Retirees with a graded premium subsidy benefit accrue credit towards insurance premiums in retirement, earnings a 30% subsidy with ten years of service, with an additional 3% subsidy for each year of service thereafter, not to exceed the maximum allowed by statute, or 80%. The employer's payroll contribution rate to provide this benefit was 17.26% for Fiscal Year 2022. 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	2022	\$ 1,951,613	73.9%
SPRS	2022	321,930	55.7%
LRS	2022	70,003	35.5%
JRS	2022	(5,513)	181.9%

Annual Comprehensive 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. Annual Comprehensive Financial Reports for the LRS may be obtained from the Legislative Retirement System, P.O. Box 30014, Lansing, Michigan 48909; Telephone (517) 373-0575.

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APPENDIX II

DTC: BOOK-ENTRY-ONLY SYSTEM

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the 2024II Bonds (which, for purposes of this Appendix only, are referred to as the “Securities”). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. At least one fully-registered Security certificate will be issued for each maturity of the Securities, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“**Direct Participants**”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“**DTCC**”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“**Indirect Participants**”). DTC has Standard & Poor’s highest rating: 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 Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC’s records. The ownership interest of each actual purchaser of each Security (“**Beneficial Owner**”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

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

may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

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

Redemption proceeds and distributions on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee as bond registrar and paying agent on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and distributions 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 depository with respect to the Securities at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

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

THE INFORMATION IN THIS APPENDIX II HAS BEEN OBTAINED FROM DTC. NO REPRESENTATION IS MADE BY THE AUTHORITY, THE UNDERWRITERS, THE STATE OR THE EDUCATIONAL INSTITUTIONS 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 UNDERWRITERS, THE STATE OR THE EDUCATIONAL INSTITUTIONS 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 PARTICIPANTS, INDIRECT PARTICIPANTS OR THE PERSONS FOR WHICH THEY ACT AS NOMINEES WITH RESPECT TO THE SECURITIES, OR FOR ANY PRINCIPAL, PREMIUM, IF ANY, OR INTEREST PAYMENT ON THE SECURITIES.

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APPENDIX III

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

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FORM OF THE OPINION OF THE ATTORNEY GENERAL

July __, 2024

State Building Authority
Lansing, MI

In my capacity as Attorney General of the State of Michigan, I have caused to be examined a closing transcript and, in particular, the following documents relating to the issuance by the State Building Authority (the “Issuer” or the “Authority”) of bonds designated the 2024 Revenue and Revenue Refunding Bonds, Series II (Facilities Program) in the aggregate principal amount of \$_____ (the “2024 Series II Bonds”) pursuant to a resolution adopted by the Authority on May 21, 2024.

(1) the Building Authority Act, 1964 PA 183, as amended (the “Act”), which created the Issuer and empowers it to issue revenue bonds;

(2) a certified copy of the resolution adopted by the Issuer on May 21, 2024, authorizing the issuance of the 2024 Series II Bonds (the “Resolution”);

(3) an executed counterpart of the Trust Indenture dated as of July 1, 2003, entered into between the Authority and U.S. Bank Trust Company, National Association, successor in interest to U. S. Bank National Association, as trustee, as supplemented and amended (collectively, the “Trust Indenture” and collectively with the Resolution, the “Indenture”);

(4) executed counterparts of the leases (as defined in the Indenture, the “Leases”) for facilities (as defined in the Indenture, the “Facilities”) financed with the proceeds of the 2024 Series II Bonds to be used by the State of Michigan (the “State”) or certain public institutions of higher education (each as defined in the Indenture, an “Educational Institution”) within the State;

(5) certified copies of the resolutions adopted by the Authority authorizing execution and delivery of the Leases;

(6) certified copies of the appropriations acts adopted by each house of the State Legislature approving the Leases;

(7) certified copies of the resolutions of the State Administrative Board of the State authorizing execution and delivery of the Leases;

(8) certified copies of the resolutions adopted by the governing body of each Educational Institution, which is a party to one of the Leases, authorizing execution and delivery of that Lease;

(9) a nonarbitrage and tax compliance certificate of the Authority relating to the 2024 Series II Bonds; and

(10) one 2024 Series II Bond, as executed, or a specimen thereof.

The proceeds of the 2024 Series II Bonds will be used, along with certain other funds available under the Indenture or Resolution to (a) refund certain outstanding commercial paper notes of the Authority which provided interim financing for the cost of the construction and improvement, including reimbursement of construction costs, of certain Facilities, (b) pay additional costs of the construction and improvement, including reimbursement of construction costs, of certain Facilities; (c) providing funds to purchase the Purchased Bonds; (d) refund, or pay the principal of and interest and redemption premium if any, on certain outstanding obligations of the Authority, and (b) pay the costs incidental to the issuance of the 2024 Series II Bonds and the tender offer of certain outstanding obligations of the Authority.

The 2024 Series II Bonds together with the other bonds of equal standing and parity of security as described in the Indenture pursuant to which they are issued, are secured by and payable solely from Rentals as defined in the Indenture, to be paid by the State under the Leases (as defined in the Official Statement) and other revenues and funds pledged under the Indenture.

The Authority has pledged the Rentals and certain other revenues, funds and accounts as provided by the Indenture to secure payment of the principal of and interest and redemption premiums, if any, on the 2024 Series II Bonds. The Authority has issued other series of bonds under the Trust Indenture (the "Prior Bonds") and the 2024 Series II Bonds will be of equal standing and parity of security with the Prior Bonds and other bonds of the Authority which are or may become Outstanding under the Trust Indenture. The Authority, pursuant to the Indenture and subject to the restrictions thereof, may issue Additional Bonds having equal standing and parity of security with the 2024 II Bonds.

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 Resolution. The Resolution has been duly adopted by the Authority, is in full force and effect, and is the valid and binding action of the Authority.

3. The Authority has the power under the laws of the State to enter into the Indenture. The Indenture has been duly authorized, executed, and delivered by the Authority and constitutes a valid and binding agreement of the Authority enforceable in accordance with the terms of the Indenture.

4. The 2024 Series II Bonds have been duly authorized to be issued by the Authority. The Resolution has been duly adopted by the Authority, is in full force and effect and is the valid and binding action of the Authority. The Indenture is a valid and binding obligation of the Authority enforceable in accordance with its terms and the terms of the Resolution. All conditions precedent to the delivery of the 2024 Series II Bonds have been fulfilled.

5. The 2024 Series II Bonds are valid and binding obligations of the Authority in accordance with their tenor, payable out of the Rentals to be paid by the State for the use of the Facilities in accordance with the Leases and other revenues, funds and accounts provided by the Indenture. The Rentals and other revenues and funds and accounts provided by the Indenture (except for the Rebate Fund), have been pledged equally for the payment of the principal of, redemption premiums, if any, and interest on the 2024 Series II Bonds, other Bonds Outstanding under the Indenture, and Additional Bonds, if any. The 2024 Series II Bonds do not constitute obligations or create any debt of the State or any of the Educational Institutions, nor do they constitute general obligations of the Authority, but the principal thereof and interest and redemption premiums, if any, thereon are payable solely from the funds provided therefor by the Indenture.

6. The Leases have been duly authorized by the Authority, the State Legislature, and the State Administrative Board, and, as applicable, by the governing body of the Educational Institution which is a party to such lease; have been duly executed and delivered by the Authority and the State and, as applicable, the appropriate Educational Institution, in the form so authorized, and, as to the State and the Authority, are in full force and effect.

7. The Leases are valid and binding agreements of the Authority, the State, and, as applicable, the appropriate Educational Institution, enforceable in accordance with their terms. The obligation of the State to pay Rentals under the Leases does not constitute “evidence of state indebtedness,” as that term is used in Michigan Const 1963, art 9, § 12.

8. The Resolution and the Indenture create the valid pledge and first lien which they purport to create of the Rentals, revenues, including the Authority's interest in any insurance proceeds, and funds (except for the Rebate Fund) held or set aside under the Indenture.

9. The 2024 Series II Bonds are limited obligations of the Authority. The 2024 Series II Bonds, including the interest thereon, are not general obligations of the Authority and do not constitute obligations, debts, or liabilities of the State or any Educational Institution 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.

10. Interest on the 2024 Series II Bonds (a) is excluded from gross income for federal income tax purposes and (b) is not an item of tax preference for purposes of the federal minimum tax however. My opinion is subject to the condition that the Authority comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the 2024 Series II 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, to the extent permitted by law, with each such requirement. Failure to comply with certain of those requirements may cause the inclusion of interest on the 2024 Series II Bonds in gross income for federal income tax purposes retroactive to the date of issuance of these 2024 Series II Bonds. I express no opinion regarding other federal tax consequences arising with respect to the 2024 Series II Bonds and the interest thereon.

11. Interest on the 2024 Series II Bonds is exempt from all taxation by the State or any of its political subdivisions except estate taxes and taxes on gains realized from the sale, payment, or other disposition of the 2024 Series II Bonds.

Enforceability of the 2024 Series II Bonds, the Indenture, the Resolution, and the Leases 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.

State Building Authority

Page 5

July __, 2024

I express no opinion on the investment quality of the 2024 Series II Bonds or whether the facts, figures, or financial information or other statements made respecting the Authority contained any untrue statement of a 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

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APPENDIX IV

FORM OF OPINION OF BOND COUNSEL

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FORM OF APPROVING OPINION

State Building Authority
Lansing, Michigan

Re: State Building Authority 2024 Revenue and Revenue Refunding Bonds, Series II
(Facilities Program)

Ladies and Gentlemen:

As bond counsel to the State Building Authority (the “Authority”), a public body corporate and politic, organized and existing under the laws of the State of Michigan, we submit this opinion with respect to the issuance by the Authority of its 2024 Revenue Refunding Bonds, Series II (Facilities Program) (the “2024-II Bonds”) in the aggregate principal sum authorized by the Authority in accordance with the provisions of the Indenture (defined below). Capitalized terms used herein but not defined herein shall have the meanings assigned them in the Indenture.

The 2024-II Bonds have been duly authorized and issued pursuant to an Authorizing Resolution of the Authority adopted on May 21, 2024 (the “Resolution”) and a Trust Indenture dated as of August 1, 2003, as supplemented and amended (collectively, the “Trust Indenture” and collectively with the Resolution, the “Indenture”), each between the Authority and U.S. Bank Trust Company, National Association (successor to U.S. Bank National Association), as Trustee (the “Trustee”). The 2024-II Bonds are issued in fully registered form, in denominations authorized by the Indenture and mature on the dates described in the Indenture. The 2024-II Bonds bear interest at a fixed rate. The 2024-II Bonds are subject to redemption at the times, in the amounts, in the manner and at the redemption prices specified in the 2024-II Bonds, and as provided for by the Indenture. The Authority previously issued its 2024 Multi-Modal Revenue Bonds, Series I (Facilities Program) (the “2024-I Bonds”) on July 1, 2024.

The 2024-II Bonds are issued under and pursuant to Act No. 183 of the Public Acts of Michigan of 1964, as amended, for the purpose of providing funds which, together with other available funds, will be used to (a) refund certain outstanding commercial paper notes of the Authority which provided interim financing for the cost of the construction and improvement, including reimbursement of construction costs, of certain Facilities, (b) pay additional costs of the construction and improvement, including reimbursement of construction costs, of certain Facilities; (c) providing funds to purchase the Purchased Bonds; (d) refund, or pay the principal of and interest and redemption premium if any, on certain outstanding obligations of the Authority,

and (b) pay the costs incidental to the issuance of the 2024-II Bonds and the tender offer of certain outstanding obligations of the Authority.

Pursuant to the provisions of the Leases, each of the Facilities, has been leased to the State of Michigan (the “State”) or to the State and an Educational Institution. The State has agreed to pay for the use of each of the Facilities certain Rentals as provided by the Leases.

The Authority has pledged the Rentals and certain other revenues, funds and accounts as provided by the Indenture to secure payment of the principal of and interest and redemption premiums, if any, on the 2024-II Bonds. The Authority has issued other series of bonds under the Trust Indenture (the “Prior Bonds”) and the 2024-II Bonds will be of equal standing and parity of security with the Prior Bonds and other bonds of the Authority which are or may become Outstanding under the Trust Indenture. The Authority, pursuant to the Indenture and subject to the restrictions thereof, may issue Additional Bonds having equal standing and parity of security with the 2024-I Bonds.

We have examined a certified transcript of the proceedings and other documents relating to the issuance of the 2024-II Bonds, including: (i) a certified copy of the Resolution, (ii) an executed counterpart of the Indenture, (iii) an executed counterpart of each of the Leases, (iv) certified copies of the resolutions adopted by the Board of Trustees of the Authority authorizing the execution and delivery of each of the Leases, (v) certified copies of the concurrent resolutions adopted by each house of the Michigan Legislature approving each of the Leases or certified copies of the appropriations acts adopted the Michigan Legislature approving the Leases, (vi) certified copies of the resolutions of the State Administrative Board of the State approving and authorizing execution and delivery of each of the Leases, (vii) certified copies of the resolutions adopted by the governing body of each Educational Institution which is a party to one of the Leases approving and authorizing execution and delivery of that Lease, and (viii) a non-arbitrage and tax compliance certificate of the Authority relating to the 2024-II Bonds. We have also examined one 2024-II Bond as executed, or a specimen thereof.

On the basis of our examination of the proceedings and documents above mentioned, we are of the opinion that, under existing law:

1. Each of the Leases (a) has been duly approved and authorized by the Authority, the Michigan Legislature, the State Administrative Board of the State and, as applicable, by the governing body of the Educational Institution which is a party to such Lease, (b) has been duly executed and delivered by the Authority, the State and, as applicable, the appropriate Educational Institution in the form so authorized and (c) is in full force and effect.

2. Each of the Leases is a valid and binding agreement in accordance with its terms of the Authority, the State and, as applicable, the Educational Institution. The obligations of the State to pay Rentals under the Leases do not constitute “evidence of state indebtedness” as that term is used in Article IX, Section 12 of the Michigan Constitution of 1963.

3. The 2024-II Bonds have been duly authorized to be issued by the Authority. The Resolution has been duly adopted by the Authority, is in full force and effect and is the valid and binding action of the Authority. The Trust Indenture is a valid and binding obligation of the Authority enforceable in accordance with its terms and the terms of the Resolution. All conditions precedent to the delivery of the 2024-II Bonds have been fulfilled.

4. The 2024-II Bonds are valid and binding obligations of the Authority in accordance with their tenor, payable out of the Rentals to be paid by the State for the use of the Facilities in accordance with the Leases and other revenues, funds and accounts provided by the Indenture. The Rentals and other revenues and funds and accounts provided by the Indenture (except for the Rebate Fund), have been pledged equally for the payment of the principal of, redemption premiums, if any, and interest on the 2024-II Bonds, other Bonds Outstanding under the Indenture, and Additional Bonds, if any. The 2024-II Bonds do not constitute obligations or create any debt of the State or any of the Educational Institutions, nor do they constitute general obligations of the Authority, but the principal thereof and interest and redemption premiums, if any, thereon are payable solely from the funds provided therefor by the Indenture.

5. The Indenture creates the valid pledge and first lien which it purports to create of the Rentals, revenues, including the Authority's interest in any insurance proceeds, and funds (except for the Rebate Fund) held or set aside under the Indenture.

6. The interest on the 2024-II Bonds (a) is excluded from gross income for federal income tax purposes and (b) is not an item of tax preference for purposes of the federal alternative minimum tax. The opinion set forth in clause (a) above is subject to the condition that the Authority comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the 2024-II Bonds and the 2024-I Bonds in order that interest thereon be (or continue to be) excluded from gross income for federal income tax purposes. Failure to comply with such requirements could cause the interest on the 2024-II Bonds to be included in gross income retroactive to the date of issuance of the 2024-II Bonds. The Authority has covenanted in the Indenture to comply with all such requirements. We express no opinion regarding other federal tax consequences arising with respect to the 2024-II Bonds and the interest thereon.

7. The 2024-II Bonds and the interest thereon are exempt from all taxation by the State of Michigan or any of its political subdivisions, except estate taxes and taxes on gains realized from the sale, payment or other disposition thereof.

The enforceability of the Leases, the Resolution, the Trust Indenture and the 2024-II Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors' rights generally and by application of general principles of equity, including those relating to equitable subordination, now existing or hereafter enacted to the

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

State Building Authority

-4-

FORM OF APPROVING OPINION

extent constitutionally applicable, and their enforcement may be subject to the exercise of judicial discretion in appropriate cases.

Very truly yours,

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

APPENDIX V

FORM OF CONTINUING DISCLOSURE AGREEMENT

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CONTINUING DISCLOSURE AGREEMENT

STATE BUILDING AUTHORITY
STATE OF MICHIGAN

\$ _____
2024 Revenue and Revenue Refunding Bonds, Series II
(Facilities Program)

This Continuing Disclosure Agreement (the “Disclosure Agreement”) is executed and delivered by the State of Michigan (the “State”) and the State Building Authority (the “Authority”) in connection with the issuance of the Authority’s 2024 Revenue and Revenue Refunding Bonds, Series II (Facilities Program) (the “Bonds”). The Bonds are being issued pursuant to a resolution dated May 21, 2024 (the “Resolution”) and a Trust Indenture dated as of July 1, 2003, as supplemented (the “Master Trust Indenture”), between the Authority and U.S. Bank Trust Company, National Association, as Trustee. The State and the Authority covenant and agree as follows:

SECTION 1. Purpose of the Disclosure Agreement.

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

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

SECTION 2. Definitions. In addition to the definitions set forth in the Resolution, which apply to this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

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

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

“Beneficial Owner” shall mean any person or entity that (a) has or shares the power, directly or indirectly, to make investment decisions concerning the ownership of any Bonds (including any person holding Bonds through nominees, depositories, or other intermediaries), or (b) is treated as owner of the Bonds for federal income tax purposes.

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

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

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

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

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

“MSRB” shall mean the Municipal Securities Rulemaking Board established in accordance with the provisions of Section 15B(b)(1) of the 1934 Act. As of the date of this Disclosure Agreement, the address and telephone and telecopy numbers of the MSRB are as follows: Municipal Securities Rulemaking Board, 1300 I Street NW, Suite 1000, Washington, DC 20005, Telephone: (202) 838-1500, Fax: (202) 898-1500.

“Participating Underwriter” shall mean the original underwriter of the Bonds required to comply with the Rule in connection with the initial offering or subsequent remarketing of the Bonds.

“Rule” shall mean Rule 15c2-12 promulgated by the SEC pursuant to the 1934 Act, as the same may be amended, as in effect on the date of this Disclosure Agreement, including any official interpretations thereof issued either before or after the date of this Disclosure Agreement which are applicable to this Disclosure Agreement.

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

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

SECTION 3. Provision of Annual Reports.

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

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

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

(d) If the Dissemination Agent is other than the State Treasurer, the Dissemination Agent shall file a report with the State certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided to the MSRB.

(e) In connection with providing the Annual Report, the Dissemination Agent (if other than the State Treasurer), is not obligated or responsible under this Disclosure Agreement 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 State's Annual Report shall contain or incorporate by reference the following:

(a) Audited financial statements of the State prepared pursuant to accounting and reporting policies conforming in all material respects to generally

accepted accounting principles as applicable to governments with such changes as may be required from time to time by State law; and

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

Any or all of the items listed above may be included by specific reference to other documents available to the public on the MSRB's internet website or filed with the SEC. If the document incorporated by reference is a final official statement, it need only be available from the MSRB. The State shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

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

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) (a) 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 (b) other material notices or determinations with respect to the tax status of the security, or other material events affecting the security;
- (7) Modifications to rights of security holders, if material;

- (8) Bond calls, if material;
- (9) Defeasances;
- (10) Release, substitution, or sale of property securing repayment of the securities, if material;
- (11) Rating changes;
- (12) Tender offers;
- (13) Bankruptcy, insolvency, receivership or similar event of the obligated person;
- (14) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (15) Appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (16) Incurrence of Financial Obligation of the Authority or obligated person, if material, or agreement to covenants, events of default, remedies, priority of rights, or other similar terms of a Financial Obligation of the Authority or obligated person, any of which affect security holders, if material; and
- (17) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Authority or obligated person, any of which reflect financial difficulties.

(b) Whenever the Authority obtains knowledge of the occurrence of a Listed Event described in subsection (a)(2), (6)(b), (7), (8), (10), (14), (15), (16) or (17), the State Treasurer on behalf of 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 State Treasurer on behalf of the Authority determines that (i) the occurrence of a Listed Event described in subsection (a)(1), (3), (4), (5), (6)(a), (9), (11), (12) or (13) has occurred or (ii) the occurrence of a Listed Event described in subsection (a)(2), (6)(b), (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 notice of the occurrence of a Listed Event described in subsection (a)(9), the State Treasurer on behalf of 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 State Treasurer), solely in its capacity as such, is not obligated or responsible under this Disclosure Agreement to determine the sufficiency of the content of the notice for purposes of the Rule or any other state or federal securities law, rule, regulation or administrative order.

(e) The Authority acknowledges that the “rating changes” referred to above in Section 5(a)(11) of this Disclosure Agreement 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 final Official Statement relating to the Bonds.

SECTION 6. Mandatory Electronic Filing with EMMA. All filings with the MSRB shall be made by electronically transmitting such filings through the EMMA Dataport at <http://www.emma.msrb.org> as provided by amendments to the Rule adopted by the SEC in Securities Exchange Act Release No. 59062 on December 5, 2008. All notices, documents and information provided to the MSRB shall be accompanied by identifying information as prescribed by the MSRB.

SECTION 7. Termination of Reporting Obligation. a) The Authority’s and the State’s obligations under this Disclosure Agreement shall terminate upon a legal defeasance under the Master Trust Indenture or the prior redemption or payment in full of all of the Bonds. b) This Disclosure Agreement, or any provision hereof, shall be null and void in the event that the Authority (i) receives an opinion of Securities Counsel, addressed to the Authority, to the effect that those portions of the Rule, which require such provisions of this Disclosure Agreement, do not or no longer apply to the Bonds, whether because such portions of the Rule are invalid,

have been repealed, amended or modified, or are otherwise deemed to be inapplicable to the Bonds, as shall be specified in such opinion, and (ii) delivers notice to such effect to the MSRB through EMMA.

SECTION 8. Dissemination Agent. The State Treasurer and the Authority may, from time to time, appoint or engage a Dissemination Agent to assist them in carrying out their obligations under this Disclosure Agreement and may discharge any Dissemination Agent with or without appointing a successor Dissemination Agent.

SECTION 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, this Disclosure Agreement may be amended, and any provision of this Disclosure Agreement may be waived, without the consent of any Bondholder or Beneficial Owner, if the State and the Authority receive an opinion of legal counsel experienced in the area of federal securities law to the effect that:

(a) 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 Authority, or type of activities in which the Authority is engaged;

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

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

SECTION 10. Additional Information. Nothing in this Disclosure Agreement is intended to prevent the State or the Authority from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or any notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the State or the Authority chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the State or the Authority shall have no obligation under this Disclosure Agreement to update that information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 11. Failure To Comply. In the event of a failure of the State or the Authority to comply with any provision of this Disclosure Agreement, any Bondholder or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the State or the Authority to comply with its obligations under this Disclosure Agreement. A failure to comply under this Disclosure Agreement shall not be deemed a default under the Master Trust Indenture, and the sole remedy under this Disclosure Agreement in the event of any failure of the State or the Authority to comply with this Disclosure Agreement shall be an action to compel performance. Notwithstanding the foregoing, if the alleged failure of the State or the Authority to comply with this Disclosure Agreement is the inadequacy of the information disclosed pursuant to this Disclosure Agreement, then the Bondholders and the Beneficial Owners (on whose behalf a Bondholder has not acted with respect to this alleged failure) of not less than 25% in the aggregate principal amount of the then Outstanding Bonds must take the actions described above, before the State or the Authority shall be compelled to perform with respect to the adequacy of information disclosed pursuant to this Disclosure Agreement.

SECTION 12. Duties of the Dissemination Agent, the Authority, and the State. The Dissemination Agent shall have only the duties set forth in this Disclosure Agreement. The Authority is not required to perform the State's duties under this Agreement and the State is not required to perform the Authority's duties under this Agreement.

SECTION 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the State, the Authority, 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 Disclosure Agreement, 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 15. 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 Disclosure Agreement, without additional disclosures or other action, may not fully discharge all duties and obligations of the Authority under such laws.

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

Dated: July __, 2024

STATE OF MICHIGAN

By: _____
Rachael Eubanks
Treasurer

STATE BUILDING AUTHORITY

By: _____
Andrew Boettcher
Executive Director

EXHIBIT A

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

Name of Issuer: State Building Authority

Name of Bond Issue:

2024 Revenue and Revenue Refunding Bonds, Series II (Facilities Program)

Date of Issuance: July __, 2024

The State has not provided an Annual Report with respect to the above-named Bonds as required by Section 3 of the Continuing Disclosure Agreement provided by the State of Michigan on July __, 2024. The state anticipates that the Annual Report will be filed by _____.

STATE OF MICHIGAN

Dated: _____

By: _____

Its: _____

APPENDIX VI

PURCHASED BONDS

The Authority expects to purchase some or all of the Target Bonds listed below by applying a portion of proceeds of the 2024II Bonds to pay the purchase price of such Purchased Bonds on the date of the delivery of the 2024II Bonds in accordance with the Invitation. The Authority reserves the right to accept none, some or all of the Target Bonds validly tendered pursuant to the terms of the Invitation.

2020 Revenue Refunding Bonds, Series II (Facilities Program) (Federally Taxable)

CUSIP No. (594615)*	Maturity Date	Interest Rate (%)	Total Principal Outstanding (Target Bonds)	Purchased Bonds
HS8	10/15/2025	0.916	\$20,445,000	
HT6	10/15/2026 [†]	1.116	20,510,000	
HU3	10/15/2031	1.812	16,200,000	
HV1	10/15/2032 [†]	1.912	11,090,000	
HW9	10/15/2033 [†]	2.032	21,040,000	
HX7	10/15/2034 [†]	2.132	40,995,000	
HY5	10/15/2040 [†]	2.705	308,030,000	
HZ2	10/15/2050 [†]	2.955	29,455,000	
JA5	10/15/2055 [†]	3.085	34,065,000	

* CUSIP is a registered trademark of American Bankers Association. CUSIP data herein are provided by CUSIP Global Services, managed on behalf of the American Bankers Association by FactSet. The CUSIP numbers are being provided solely for the convenience of owners of the Target Bonds and the Authority is not responsible for the selection or correctness of the CUSIP numbers printed herein and does not make any representation with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number assigned to a specific security is subject to change after the issuance of such security based on a number of factors including, but not limited to, a refunding or defeasance in whole or in part of such security or the use of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of such security.

[†] Denotes a term bond. If less than all of the outstanding term bond is tendered and accepted for purchase by the Authority pursuant to the Invitation, the remaining mandatory sinking fund installment amounts will be reduced pro rata in each year.

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Appendix B

FORM OF PRICING NOTICE

PRICING NOTICE

**RELATING TO THE
INVITATION TO TENDER BONDS DATED JUNE 10, 2024
made by the**

**STATE BUILDING AUTHORITY
STATE OF MICHIGAN**

**to the Bondowners described herein of
all or any portion of the maturities listed on page (ii) herein of**

**STATE BUILDING AUTHORITY
STATE OF MICHIGAN**

**2020 Revenue Refunding Bonds,
Series II (Facilities Program)**

**(Federally Taxable)
(Base CUSIP 594615)**

The purpose of this Pricing Notice dated June 14, 2024 (the “Pricing Notice”) is to publish the Fixed Spreads for the Target Bonds. All other terms relating to the Invitation (hereinafter defined) remain unchanged.

Pursuant to the Invitation to Tender Bonds dated June 10, 2024 (as it may be amended or supplemented, the “**Invitation**”), the State Building Authority of the State of Michigan (the “**Issuer**”) invited Bondholders to tender Target Bonds for cash at the applicable Offer Purchase Prices based on a Fixed Spread to be added to the yields on certain benchmark United States Treasury Securities set forth in this Pricing Notice, plus Accrued Interest on the Target Bonds tendered for purchase to but not including the Settlement Date. All terms used herein and not otherwise defined are used as defined in the Invitation.

As set forth in the Invitation, the Issuer retains the right to extend the Tender Offer, or amend the terms of the Tender Offer (including a waiver of any term) in any material respect, provided, that the Issuer shall provide notice thereof at such time and in such manner to allow reasonable time for dissemination to Bondowners and for Bondowners to respond. In such event, any tenders of Target Bonds prior to such change in the Fixed Spreads for such Target Bonds pursuant to the Invitation will remain in full force and effect and any Bondowner of such affected Target Bonds, wishing to revoke its tender of such Target Bonds for purchase must affirmatively withdraw such offer prior to the Expiration Date, as extended.

The Invitation, including the Preliminary Official Statement dated June 10, 2024 relating to the Issuer’s 2024 Revenue and Revenue Refunding Bonds, Series II (Facilities Program) is available: (i) at the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access website, currently located at <http://emma.msrb.org>, using the CUSIP numbers for the Target Bonds, and (ii) on the website of the Information Agent and Tender Agent at www.globic.com/sba.

Any questions are to be directed to the Information Agent and Tender Agent at (212) 227-9622.

TENDER OFFER – FIXED SPREADS

Pursuant to the Invitation, the Fixed Spreads for the Target Bonds are listed below. [There has been no change in the Indicative Fixed Spreads listed in page (ii) of the Invitation.]

**STATE BUILDING AUTHORITY
STATE OF MICHIGAN
2020 Revenue Refunding Bonds,
Series II (Facilities Program)
(Federally Taxable)**

CUSIP (594615)¹	Maturity Date	Average Life Date²	Par Call Date	Interest Rate (%)	Outstanding Principal Amount	Maximum Principal Amount that May be Accepted for Purchase	Benchmark Treasury Security³	Fixed Spread
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The yields on the Benchmark Treasury Securities will be determined at approximately 10:00 a.m., ET, on [June 14], 2024.

¹ CUSIP is a registered trademark of American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed on behalf of the American Bankers Association by FactSet Research Systems Inc. The CUSIP number are being provided solely for the convenience of the owners of the Target Bonds and the Issuer is not responsible for the selection or correctness of the CUSIP numbers printed herein and does not make any representation with respect to such numbers or undertake any responsibility for their accuracy.

² Average life date is shown for the Target Term Bonds (as defined in the Invitation) only. The Target Term Bonds will be priced to their respective average life dates.

³ Except for the 30-Year Benchmark Treasury Security, which will be the “old long bond” (maturity date February 15, 2054, 4.25%, CUSIP 912810TX6), each Benchmark Treasury Security (as defined in the Invitation) will be the most recently auctioned “on-the-run” United States Treasury Security for the maturity indicated as of the date and time that the Purchase Price for the Target Bonds is set, currently expected to be approximately 10:00 a.m. ET on June 26, 2024.

Illustrative Offer Purchase Price Calculations: Treasury Security Yields as of [June] __, 2024

The tables below provide examples of the Offer Purchase Price realized by a Bondowner that submits an offer based on the following yields for the Benchmark Treasury Securities as of [June] __, 2024 and the Fixed Spreads. This example is being provided for convenience only and is not to be relied upon by a Bondowner as an indication of the Purchase Yield or Offer Purchase Price that may be paid by the District. Based on these Treasury Security Yields, the following Offer Purchase Prices would be derived:

**STATE BUILDING AUTHORITY
STATE OF MICHIGAN
2020 Revenue Refunding Bonds,
Series II (Facilities Program)
(Federally Taxable)**

CUSIP (594615) ¹	Maturity Date	Average Life Date ²	Par Call Date	Interest Rate (%)	Outstanding Principal Amount	Maximum Principal Amount that May be Accepted for Purchase	Benchmark Treasury Security ³	Fixed Spreads	Illustrative Benchmark Yield	Illustrative Purchase Yield*	Illustrative Purchase Price*
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¹ CUSIP is a registered trademark of American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed on behalf of the American Bankers Association by FactSet Research Systems Inc. The CUSIP number are being provided solely for the convenience of the owners of the Target Bonds and the Authority is not responsible for the selection or correctness of the CUSIP numbers printed herein and does not make any representation with respect to such numbers or undertake any responsibility for their accuracy.

² Average life date is shown for the Target Term Bonds (as defined in the Invitation) only. The Target Term Bonds will be priced to their respective average life dates.

³ Except for the 30-Year Benchmark Treasury Security, which will be the “old long bond” (maturity date February 15, 2054, 4.25%, CUSIP 912810TX6), each Benchmark Treasury Security (as defined in the Invitation) will be the most recently auctioned “on-the-run” United States Treasury Security for the maturity indicated as of the date and time that the Purchase Price for the Target Bonds is set, currently expected to be approximately 10:00 a.m. ET on June 26, 2024.

* Preliminary, subject to change.

Illustrative Offer Purchase Price Calculations: Interest Rate Sensitivity

As a measure of the sensitivity of the Offer Purchase Price to changes in the yield on the Benchmark Treasury Security, the following tables show the impact on the Offer Purchase Price of a 0.10% (10 basis point) movement in the yield of the Benchmark Treasury Security.

**STATE BUILDING AUTHORITY
STATE OF MICHIGAN
2020 Revenue Refunding Bonds,
Series II (Facilities Program)
(Federally Taxable)**

CUSIP (594615) ¹	Maturity Date	Illustrative Purchase Yield Based on Benchmark Treasury Yields as of [], 2024*	Illustrative Purchase Prices*		
			Assuming a 0.10% Increase in Treasury Security Yields	Current Treasury Security Yield	Assuming a 0.10% Decrease in Treasury Security Yields

¹ CUSIP is a registered trademark of American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed on behalf of the American Bankers Association by FactSet Research Systems Inc. The CUSIP number are being provided solely for the convenience of the owners of the Target Bonds and the Authority is not responsible for the selection or correctness of the CUSIP numbers printed herein and does not make any representation with respect to such numbers or undertake any responsibility for their accuracy.

*Preliminary, subject to change.